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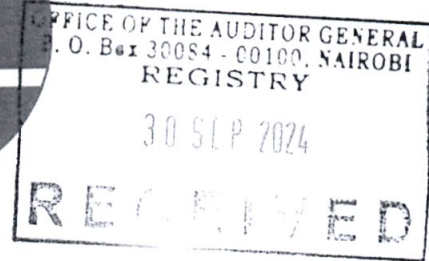
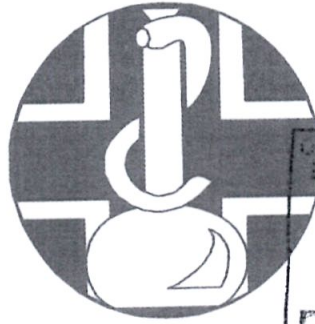
ON

NATIONAL QUALITY CONTROL LABORATORY

FOR THE YEAR ENDED
30 JUNE, 2024

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	29 APR 2025
	DAY: Tuesday
TABLED BY:	Hon. Julius Melly mp on behalf of LOM
CLERK-AT THE-TABLE:	Benson Inzofu

NATIONAL QUALITY CONTROL LABORATORY



P. O. Box 29726 - 00202 (KNH) Nairobi

Tel. : 020-3544525/30

Email : info@nqcl.go.ke

Website : www.nqcl.go.ke

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024



REPUBLIC OF KENYA

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

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1. Key Entity Information and Management

(a) Background Information

The National Quality Control Laboratory (NQCL) was established under section 35D of the Pharmacy and Poisons Amendment Act of 1992 (Cap 244, Laws of Kenya) on the 28th October, 1992 and came into operation on 06th November, 1992. The Laboratory is domiciled in Kenya with no branches currently.

(b) Principal Activities

The Laboratory, under the Pharmacy and Poisons Amendment Act of 1992 (Cap 244, Laws of Kenya), has the following mandate:

1. Examine and test medicines and any material or substance from which or with which and the manner in which medicines may be manufactured, processed or treated and ensure the quality control of medicines and medicinal substances;
2. Perform chemical, biological, biochemical, physiological and pharmacological analysis and other pharmaceutical evaluation;
3. Test, on behalf of the Government, of locally manufactured and imported medicines or medicinal substances with a view to determine whether such medicines or medicinal substances comply with Cap 244;
4. To provide advisory services to the Ministry of Health on medicines quality standard;
5. Carry out Good Manufacturing Practices (GMP) inspections in pharmaceutical manufacturing industry premises and issue certificates of compliance on the same.

(c) Key Management

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

- Board Of Management
- The director / CEO who is also the accounting officer.
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
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No.	Designation	Name
1.	Director / CEO	Dr. Serah Muteru
2.	Head Of Quality assurance	Kennedy Ruto
3.	Head of Wet Chemistry	Dr. Peter Ngumo
4.	Head Client Services Unit	Dr. Rebecca Manani
6.	Head of Procurement	Jane Mwathi
7.	Head Internal Audit	Peter Shibira
8.	Head Biological Analysis	Ruth Ndanyo
9.	Ag Chief Finance Officer	Merceline Adhiambo

(Include all positions regarded as top management in your organisation as per your organisational structure).

(e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- *Audit and Risk Committee*

No.	Designation	Name
1.	Head Internal Audit	Peter Shibira
2.	Head of Quality Assurance and risk management	Kennedy Ruto

(f) Entity Headquarters

P.O. Box 29726 -00202

KNH Complex

Hospital Road

Nairobi, KENYA

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(g) Entity Contacts

Telephone: (254)- 020 - 3544525/30

E-mail: info@nqcl.go.ke

Website: www.nqcl.go.ke

(h) Entity Bankers

National Bank

Hill Plaza Branch

P.O. Box 45219 - 00100

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 and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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2. The Board of Directors





Ref	Directors	Details (Specialization)
1.	Dr. John Ndiritu Muturi	Pharmacist
2.	Dr. Micheal Walekhwa Nyongesa	Medical Laboratory Services
3.	Dr. Mark Peter Kita Odero	Analytical Chemistry
4.	Mr. Zenith Ouma Omollo	Corporate Governance
5.	Mr. Nicodemus Kisengese	Clinical Research
6.	CPA Flora Mighulo Maghanga Mtuweta	Finance and Administration
7.	Ms. Fatma Ibrahim Yunis	Law
8.	Mr. Anthony Ndegwa Nderitu	Accountant, Audit and Finance

The NQCL Board of Management was gazetted by the Chairperson PPB on 24th May 2024.

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3. Management Team

	Key manager's passport-size photo	Name – Designation	Professional/ Academic Qualification	Main Responsibility
1.		Dr. Mathayo Kwena – Deputy Director Pharmaceutical Services	M.Pharm, BPharm; MPSK	Ag. Director.
2.		Dr. Rebecca Manani – Deputy Director Pharmaceutical Services	MPharm, BPharm; MPSK	Deputy Director Technical services
3.		Dr. Peter Ngumo - Deputy Director Pharmaceutical Services	MPharm, BPharm; MPSK	Head Wet Chemistry & Instrumentation Units

4.		Kennedy Rutto	BSc. Chemistry	Quality Assurance
5.		Ruth Ndanyo	MSc. Molecular Biology	Head of Biological Unit
6.		Jane Mwanthi		Head of Procurement
7.		Merceline Adhiambo	MBA - Finance, BCOM -Accounting	Finance

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3. Chairman's Statement

The National Quality Control Laboratory (NQCL) is a government laboratory established by an Act of Parliament. It has evolved into a respected centre of excellence in the quality control of medicines and medical devices. As a WHO-prequalified and ISO 17025-accredited laboratory, NQCL plays a critical role in ensuring that health products and technologies meet the necessary standards and regulatory requirements, thereby directly contributing to the health and well-being of Kenyan citizens.

Our strategic goal is to achieve self-reliance in managing and utilizing resources within the next few years. This annual report highlights our progress in aligning with current government and public expectations, contributing to Kenya's economy by fostering a healthier nation. We recognize that other laboratories have been tasked with similar responsibilities in the past. However, our strategic plan focuses on mobilizing resources and building the necessary capacity to offer reliable services within preferred timelines. This approach will help us attract and maintain strong partnerships in our mission.

Board Appointments

A significant milestone was achieved earlier in the year with the appointment of a fully-fledged Board on the 24th of May 2024 and later inaugurated on the 7th of June 2024 led by a substantive chairperson. The Pharmacy and Poisons Board selected individuals with diverse expertise, forming a team full of fresh ideas to propel NQCL to new heights.

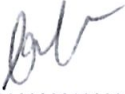
The Board has shown unwavering dedication to fulfilling its mandate, and following a comprehensive induction into corporate leadership on the 13th – 15th June 2024, the team is well-prepared for the tasks ahead which includes strengthening of the internal audit mechanisms in NQCL, with a view of achieving a zero fault audit report going forward. A joint retreat with management on the 26th – 30th of August 2024 further familiarized the Board with the institution's operations, ensuring they are equipped to guide NQCL's future growth.

Partnerships

We are grateful for the support received from various partners, both technically and financially. Notably, the U.S. Trade and Development Agency (USTDA) has expressed willingness to fund a feasibility study for establishing an ultra-modern laboratory to the tune of 1.6 million Dollars. USAID, through its implementing partners PQM+ and Afya Ugavi and the Global Fund are funding several activities geared towards capacity building of the technical staff in light of Institutional Development Plans being implemented in the towards the attainment of Maturity Level 3 status that was identified through the WHO Global Benchmarking Tool. We are also bound to benefit from the World Bank support for the local manufacturing of Health Products and Technologies through the Health Emergency Preparedness Response and Resilience program.

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We also experienced a leadership transition with the exit of our acting director shortly after the Board assumed office. We extend our appreciation to the current Acting Director, Dr. Matthew Kwena, for his positive energy and deep institutional knowledge, which are invaluable in steering NQCL toward greater success.



.....
Dr. John Muturi
Chairman - BOM

Date: 30/6/2024

4. Report of the Chief Executive Officer

The National Quality Control Laboratory (NQCL) is a Semi-Autonomous Government Agency under the State Department of Public Health and Professional Standards, Ministry of Health. It is the Official Medicines Control Laboratory in Kenya, created in 1992 by an Act of Parliament, specifically CAP 244 Section 35D (Pharmacy & Poisons (Amendment) Act of 1992). This act grants NQCL the legal status of a body corporate with the following characteristics:

- a) **Perpetual succession:** The NQCL can continue to exist indefinitely.
- b) **Common seal:** The NQCL has its own official seal for authentication purposes.
- c) **Independent legal capacity:** The NQCL can sue and be sued in its own name.
- d) **Property ownership:** The NQCL can acquire, hold, and dispose of movable and immovable property for its operations.

The State Corporations Advisory Committee (SCAC) further categorised NQCL in category PC 4B on 11th February 2016 (Ref: OP/SCAC 1/19/3 Vol. 1 (17) and advised the Ministry of Health to embark on the activity of categorization. The Laboratory, however continues to receive its budgetary allocation through the Ministry of Health under the Vote Head 1081000900. NQCL generates income from sample analysis fees of drugs for Government institutions as well as private pharmaceutical firms. The income generated supplements the recurrent and development budget the Government gives to the Laboratory through the said vote head.

The funds generated and allocated are utilized for the procurement of chemicals, reagents, glassware, related apparatus and additional equipment and also for remuneration of contracted staff members. These items are vital in ensuring the institution continues to meet the current Good

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The funds generated and allocated are utilized for the procurement of chemicals, reagents, glassware, related apparatus and additional equipment and also for remuneration of contracted staff members. These items are vital in ensuring the institution continues to meet the current Good Practices for Pharmaceutical Quality Control Laboratories and the ISO 17025:2017 accreditation for testing laboratories .

The Laboratory has two categories of staff among its personnel. The first category comprises civil servants deployed to the institution by the Ministry of Health. This includes pharmacists, accounts assistant, supply chain management assistant and biomedical engineers. The second category consists of staff contracted by the Board of Management for a renewable contract. These include laboratory technicians, accounts assistant, supply chain management assistants, an executive secretary, laboratory assistants and a documentation clerk. The laboratory also engages interns and students on attachment who gain on the job learning as part of the Government policy on training.

In the financial year under review, the laboratory was not able to utilize its allocation for the vote head from The National Treasury through the Ministry of Health where the vote head is administered at the headquarters at Afya house. The Director of NQCL has little or no control over this vote head despite being the authorised Authority to Incur Expenditure (AIE) Officer.

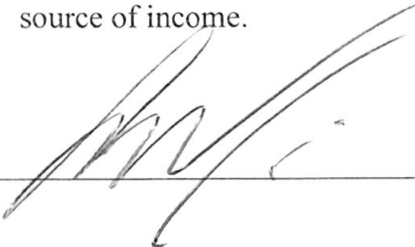
Previous experience has shown that when approved budgetary allocations are channelled through the Vote Head 1081000900 at the Ministry of Health, a number of items requested for procurement as per the approved budget and procurement plan remain as pending bills as a result of lack of compliance with the allocated budget lines. The Laboratory requires budgetary support be channelled directly to its account to continue performing its core functions.

Further, there exists no linkage between the PPB (appointing authority) and the NQCL Board of Management. The role of Pharmacy and Poisons Board (PPB) ends at appointment level of the Board of Management and subsequently, the Board of Management operates on its own with no reporting mechanism or responsibility to the appointing authority (PPB), no financial support from the appointing authority and minimal statutory responsibility and consultation with the Ministry of Health. Consequently, NQCL experiences inadequate funding for its operations.

The Laboratory further faces challenges in the course of implementing its mandate. The fragmentation of testing in Kenya has resulted in a drastic drop in samples and revenue. The mandate of keeping a data bank on the quality of medicines should be enforced by having all quality control laboratories in the country work under the collaboration of NQCL to ensure a single data

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stream. This will also steady the stream of analysis samples coming to NQCL which is its current source of income.



Dr. Mathayo Kwena

Ag. Director,

Date 30/06/ 2024

5. Statement of Performance against Predetermined Objectives for FY 2023/24

National Quality Control Laboratory has 5 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2027. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Delivering on the laboratory's core mandate

Pillar/theme/issue 2: Enhancing the governance structures

Pillar/theme/issue 3: Investing in human resource

Pillar/theme/issue 4: Developing institutional infrastructure & profile

Pillar/theme/issue 5: Mobilizing resources for sustainability

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National Quality Control Laboratory (*NQCL*) develops its annual work plans based on the above *five* pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan should be done on a quarterly basis. Currently the reports are done quarterly and submitted to the M.O.H. NQCL achieved its performance targets set for the FY 2023-2024 period for its five strategic pillars, as indicated in the diagram below

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Strategic Priority	Strategic Objectives	Key Strategies	Achievements
Delivering on the laboratory's core mandate	1. Broaden the offering of HPTs' quality testing	Expansion of offering to cover all Health Products and Technologies (to include medical devices, herbal products, vaccines, and other biologics).	National Quality Control Laboratory is in the process of acquiring necessary resources in preparation to start testing Vaccines from Kenya BIOVAX Ltd.
	2. Grow the market share of HPTs (including medical devices) in the country tested by NQCL to 100% by the end of the plan period (samples tested on behalf of Government).	Spearhead is an enabling operating context for NQCL to be the go-to option for HPTs testing.	This financial year NQCL was able to test 69% of total samples that were brought for testing as at 30th June 2024. NQCL is now working towards getting all HPTs to be tested here.
	3. Establish a Training and Research hub to position NQCL as a regional trends' setter (centre of excellence).	Establish a Training and Research Unit	NQCL offering training to university students through attachment and internship placement. It's a benchmarking and training centre for other East African countries Like Uganda. The Research Department has been established in the organization structure.
	4. Establish and implement a database/knowledge repository for the quality of HPTs in the country	Partner with relevant stakeholders (Ministry of Health (PPB, KEMSA, programs) and other entities to ensure coverage of full scope (analysis, GMP and database maintenance)	This is in the process. NQCL is in the process of receiving A grant from world Bank, under the Africa East Health Emergency Preparedness Response and Resilience Project - KENYA P180127 to establish a database on the quality of HPTs in the country.
Enhancing the governance structures	1. To improve decision-making and effective implementation of NQCL's mandate	Operationalize NQCL as a state corporation under MoH.	We did some follow up with SCAC concerning the categorization of NQCL as a SAGA. In the process we realised that NQCL was categorised IN 2016 and even given a copy of the letter of categorization. Using that letter the director is now making follow ups with the MOH to form a committee to operationalize the categorization.

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		Build the capacity of the Board in line with the Mwongozo code.	There is no board of directors at NQCL.
Investing in the human resource	1. Attract and retain highly skilled staff	Update and implement an appropriate organisation structure	Africa East Health Emergency Preparedness Response and Resilience Project - KENYA P180127 has funded employment of 22 staff at NQCL and hire consultants in the area of vaccines testing.
		Review, update and implement a scheme of service	Human Resource instruments already written and signed. This will improve the scheme of service.
		Enhance staff capacity and skills	We have allocated some funds on staff training from Exchequer and also expecting more training funds from World Bank.
		Increase staff engagement and motivation	When the HR instruments are implemented, there will be an increase in salary and job security. This will motivate staff. NQCL has acquired a few new equipment that makes the staff work faster and this also motivates them.
	2. Promote a strong value-based and performance-driven organisational culture	Initiate culture formation interventions	Have prepared and started having monthly staff meetings where issues on performance are discussed.
		Mainstream M & E in NQCL's management practices	This in process
Align GoK performance contract goals to the SP		Performance contract signed with the MOH	
Developing institutional infrastructure and profile	1. Construct and equip an ultra-modern laboratory/campus.		NQCL is partnering with USTDA to do a feasibility study on NQCL and write BQs for renovations and construction of a new lab.
		Construct and equip the ultra-modern campus with the mobilised resources.	

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	2. Enhance the institutional Information Communication and Technology (ICT) capacity	Automate NQCL's operations (Enterprise Resource Planning (ERP) system, Laboratory Information Management System (LIMS).	This is a process. A procurement plan for next financial year was approved including purchase of ERP.
	3. Enhance NQCL's official transport capacity	Acquire 4 motor vehicles	Purchase of motor vehicle has been included in the procurement plan for the World bank project, and it is in the process.
	4. Improve NQCL's corporate image	Rebrand NQCL	This is yet to be done
		Conduct sensitization and public awareness campaigns	This has been done. NQCL staff has attended three conferences and public awareness campaigns this year.
		Develop and implement risk-management systems	This is already happening through QA department
Mobilising resources for sustainability	1. Pursue the Laboratory's autonomy in financial allocation as a State Corporation	Lobby with relevant decision-makers towards the full implementation of CAP 244 (SCAC, PBB, MoH, etc) for financial autonomy.	NQCL participated in the MTEF last financial year and we have presented our budget. M.O.H has allocated some funds to NQCL for the current financial year.
		Establish 's own governance structures that enable operating as a state corporation	We have a new organisation structure with all relevant positions and also We have written the HR instruments..
	2. Expand the client base and decentralised services	Collaborate with PPB to establish regional (county) presence.	This is yet to begin
	3. Increase revenue by 30% annually YoY	Improve the quality of rendered services.	This is not yet achieved
		Conduct a pricing review.	This is already done. The new prices were gazette.
		Leverage existing data on quality of pharmaceuticals through publications.	This is was done but in collaboration with other organisations
		Accelerate marketing of the laboratory services.	This is yet to begin

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	<p>4. Mainstream partnerships and collaborations' development at NQCL</p>	<p>Establish strategic partnerships and collaborations</p>	<p>We already have two partners on board. World Bank through the Africa East Health Emergency Preparedness Response and Resilience Project - KENYA P180127, which is funding NQCL to achieve ML3. The second partner is USTDA, this one is funding NQCL to come with the BQs for revocations and construction of the new Laboratory.</p>
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6. Corporate Governance Statement

Number of Board Meetings Held

The Board of Management was appointed in May 2024 and held its inaugural meeting in June 2024. Therefore in the financial year 2023/2024 there was only one board meeting.

Process of Appointment and Removal of Directors

Cap 244 Laws of Kenya Section 35F allows for the creation of a Board of Directors for the Laboratory. The board should consist of (9) nine members and the Chairperson to be appointed by the president of the Republic of Kenya. A member of the BOD appointed shall hold office for three years but shall be eligible for re-appointment, but not for more than 2 terms. A quorum of the BOD shall be five members and the members shall meet not less than four times each calendar year.

Board Remuneration

Each member shall receive a sitting allowance of Kshs. 20,000.00, less tax for every meeting and a further allowance for lunch of Kshs. 2,000 when required. The chairman of the Board of Management is entitled to a honoraria of Kes 80,000 The Director shall be the secretary of the Board of Management.

Roles and Functions of the Board

Section 35G highlights the functions of the BOD, which include:

- a. Administer the property and funds of the Laboratory in such manner and for such purposes as shall, in their opinion, promote its best interests;
- b. Receive, on behalf of the Laboratory, grants-in-aid, gifts, donations, fees, subscriptions or other moneys and make disbursements therefrom;
- c. Make regulations governing the appointment, conduct and discipline of employees of the Laboratory;
- d. In consultation with the Cabinet Secretary (CS) Health, draw up a scheme of service for employees of the Laboratory;
- e. Administer the approved terms and conditions of service, including appointments, dismissals, remuneration and retiring benefits of employees of the Laboratory; and

f. Appoint such employees upon terms and conditions to be laid down by them, after consultation with the CS Health, as it considers necessary for the proper and efficient administration of the Laboratory.

Training and Induction

The new board was recruited competitively as governed by SCAC and gazetted on 24th of May 2024. The BOM underwent training on the Mwongozo Code of Governance, as it is anchored in the Constitution of Kenya, 2010.

Ethics and Conduct

National Quality Control Laboratory was categorised as PC 4B by SCAC in the year 2016. Currently it is recognized as a Semi – Autonomous Government Agency that performs a regulatory duty on medicines and health technologies under the Ministry of Health. As a testing and inspecting facility, the Laboratory continues to uphold its corporate values of Staff, Environment, Integrity & Patriotism, Technology, Standards, Commitment to customer services, Quality Service and Team & Individual Productivity.

Conflict of Interest

To avoid conflicts of interest, pressures and influences, the BOD will be bound by the provisions of Public Officers Ethics Act Cap 183 and the Laboratory's conflict of interest policy. Two core concepts are embodied in these regulations; BOD members shall not use public office for private gain nor act impartially and give preferential treatment to any private organisation or individual. A conflict of interest form within the quality management system of the Laboratory is available to document this when necessary.

7. Management Discussion and Analysis

For the last three financial years NQCL has improved on its AIA collection NQCL has registered a steady increase in AIA collected yearly. Due increased revenue, NQCL has been able to meet its financial obligations and reduced its pending bills as compared to last financial year. NQCL has also managed to remit all statutory deductions including withholding VAT on time.

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During this financial year, there were no major projects, only one minor project of laboratory renovations which were done successfully.

The major projects are expected to start in the next financial year. These include upgrading of NQCL by World Bank - Africa East Health Emergency Preparedness Response and Resilience Project, at a cost of USD 9.5 million. Another upcoming Project is the construction and equipping of NQCL by the Government of Kenya at a cost of Kes 10 billion. There is also a USTDA Project to write BQs and renovate the laboratory at an estimated cost of Kes. 216 million.

In the Kenya Kwanza government manifesto, manufacturing has been given priority. One of the items mentioned is manufacturing of pharmaceuticals and medical supplies. It is on that note that BIOVAX has been established, and it has a mandate to produce vaccines locally. When the vaccines will be produced, the lot release must be tested and the testing agency is NQCL. Therefore, NQCL future developments include attainment of Maturity Level 3 in preparedness to test locally produced vaccines.

As NQCL works towards attaining its best, there are challenges and risks the organisation is likely to face. The risks that may be faced are Legal risk, Governance risk, operations risks and financial risks. Lack of Board of Management has led to NQCL not receiving grants from MOH hence creating risk that is in turn affecting operations and performance. Now that the board has been appointed, we expect our budget to be transferred to the NQCL bank account as a grant. However, with the expanded scope of testing the locally manufactured vaccines, NQCL will require an increase in exchequer budget allocation to be able to meet its financial obligations in future. Due to financial constraints, NQCL has not implemented any investment decision.

Environmental and Sustainability Reporting

The National Quality Control Laboratory has a mandate to protect the lives of Kenyans by testing all Health Products and technologies on behalf of the government. When implementing its mandate, make sure of protecting the environment from pollution by making sure that the waste generated is well disposed according to the requirements. NQCL has also participated in tree planting campaigns and planted trees on their land.

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i) Sustainability strategy and profile

National Quality Control Laboratory being a government entity, our first sustainability strategy is participating in the government budgeting process (MTEF) so that we also receive some budget allocation from the government. Our second sustainability strategy is writing proposals for funding from development partners. These may come as grants or credits. One of our latest is the World Bank - Africa East Health Emergency Preparedness Response and resilience Project. Then we have another strategy of increasing our revenue by expanding our scope of testing. NQCL is preparing to start testing vaccines and alternative medicines in the country. In addition to that, NQCL intends to expand its revenue base by characterization of Reference Standards and selling. Apart from that NQCL intends to expand its offices to other regions this will help increase our client base hence increasing revenue. This has been articulated in the strategic plan.

But as NQCL plans for all these strategies, there are factors that may influence the strategy either positively or negatively. Some of the factors include political good will and stability. For NQCL to enter into an agreement with development partners the parliament must approve. Failure to do so NQCL cannot go ahead. Another thing that may affect our sustainability priorities is the national income. For us to get exchequer allocation the government must be having income. Lack of government income means that we will not receive allocation hence affecting our sustainability. The National Quality Control Laboratory purchases some goods and services internationally. This is done in foreign currency, therefore inflation hikes the prices beyond imagination and this affects our service delivery and sustainability. Then finally our sustainability strategy will depend on the GDP. When the GDP is good it means people will spend more hence encouraging investments. Some of our investments include construction of NQCL premises and rent out; this will create business for NQCL hence improving sustainability.

Our key achievements include getting our Board of Management appointed and gazetted, partnering with the World Bank to upgrade NQCL at a cost of USD 9.5 million and USTDA to write BQs and renovation of our laboratory at a cost of Kes 216 million. Successfully carried out a pre feasibility study, wrote and submitted a report to the National Treasury. Received the approval for Feasibility study. National Quality Control Laboratory has also managed to write its Human Resource Instruments and they have been approved.

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Some of our failures include drop in revenue collection this financial year and also lack of enough staff members. NQCL has been unable to employ enough staff and even the few employed are not fairly remunerated. The board of Management is now here for oversight and therefore we expect to improve . Another failure is lack of substantive office holders and non-operational management posts in the organisation structure.

ii) **Environmental performance**

National quality control laboratory being a health products and technologies testing lab, environmental safeguards must be in place. The laboratory has made sure the environment is safe by subscribing to the WHO prequalification guidelines for Good Practices for Pharmaceutical Quality Control Laboratories. In addition to that, NQCL has also received ISO / IEC 17025 accreditation as a testing facility. However NQCL is having a challenge of not having an incinerator and therefore incineration services are contracted through Pharmacy and Poisons Board. NQCL has also participated in tree planting campaigns and planted trees on their land for conservation of our environment.

iii) **Employee welfare**

Most of the staff at NQCL was hired on contract basis using a scheme of service. The two thirds rule was observed because we have 13 female employees against 16 Male employees. The staff improves their skills through attending on job training and also attending seminars. A staff training schedule is in place to make sure that at least each employee gets some on job training. Also online training is encouraged since it is cheap and affordable. To motivate staff members, staff appraisal has been introduced and using the appraisal report the management will be able to reward and reprimand where necessary. NQCL being a testing laboratory, a quality assurance department that takes care of documenting possible risks in the lab. The risks are communicated and mitigated. NQCL paid for an enhanced insurance scheme for the staff through NHIF.

Marketplace practices-

The organization should outline its efforts to:

a) **Responsible competition practice.**

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.

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Procurement is done based mostly on quotation basis. This promotes competition and the suppliers with the best prices win. Pre-qualification of suppliers and even opening and awarding of quotations are done by a committee of several members which minimises the possibility of corruption. The National Quality Control Laboratory does not have political involvement since it is a public institution.

b) Responsible Supply chain and supplier relations

Explain how the organization maintains good business practices, treats its own suppliers responsibly by honoring contracts and respecting payment practices.

Even though funds are not always available, National quality Control Laboratory treats its suppliers responsibly by paying them whenever funds are available. NQCL also avoids unnecessary over staying with its bills.

c) Responsible marketing and advertisement

d) National Quality Control Laboratory has an official Website where one can get information concerning it. The website is open to the public at any time.

e) Product stewardship

NQCL tests Medicines and health products and technologies to ensure that all the medicines in our hospitals and pharmacies are of good quality and standards. The tests are done to protect and ensure the safety of the citizens against poor quality medicines.

iv) Corporate Social Responsibility / Community Engagements

National Quality Control Laboratory being a testing lab, it offers corporate social responsibility/ community engagements by offering free training services to the university students and other regional laboratory staff NQCL also offers training to staff from our neighbouring countries like Uganda on how to achieve World Health Organization Prequalification. Students from local universities and neighbouring countries come to train free of charge. That is how NQCL does its corporate social responsibility.

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Community service activity by National Quality Control Laboratory.



Tree planting exercise by NQCL staff on 10th May 2024

8. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the *Entity's* affairs.

i) Principal activities

The principal activities of the Entity are;

- Examine and test medicines; on behalf of the Government, locally manufactured and imported medicines or medicinal substances;
- Perform chemical, biological, biochemical, physiological, pharmacological analysis and other pharmaceutical evaluation;
- Provide advisory services to the Ministry of Health on medicines quality standards; and

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- Carry out Good Manufacturing Practices (GMP) inspections in pharmaceutical manufacturing industry premises and issue certificates of compliance on the same.

The Laboratory has also expanded its testing capacity to include the testing of medical devices such as male & female latex condoms, gloves, needles and syringes.

ii) **Results**

The results of the Entity for the year ended June 30, 2024, are set out on page 27 to 37

iii) **Directors**

The National Quality Control Laboratory does not have a board, we are looking forward to getting one appointed.

iv) **Surplus remission**

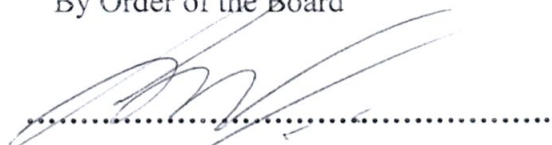
In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into the Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year.

NQCL remitted Kshs Nil (FY 2022 Kshs Nil. The Entity did not make any surplus during the year (FY 2023 Kshs Nil) and hence no remittance to the Consolidated Fund.

v) **Auditors**

The Auditor-General is responsible for the statutory audit of the *Entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the NQCL for the year/period ended June 30, 2023, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Name

Corporate Secretary/Secretary to the Board

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9. Statement of Director's Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Pharmacy and Poisons Amendment Act of 1992 (Cap 244, Laws of Kenya) require the Director to prepare financial statements in respect of that Laboratory, which give a true and fair view of the state of affairs of the Laboratory at the end of the financial year and the operating results of the Laboratory for that year/period. The Director is also required to ensure that the Laboratory keeps proper accounting records which disclose with reasonable accuracy the financial position of the Laboratory. The Director is also responsible for safeguarding the assets of the Laboratory. .

The Director is responsible for the preparation and presentation of the Laboratory's financial statements, which give a true and fair view of the state of affairs of the Laboratory for and as at the end of the financial year ended on June 30, 2024. 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 Laboratory; (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 Laboratory; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Director accept responsibility for the Laboratory's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Pharmacy and Poisons (Amendment) Act of 1992 (Cap 244, Laws of Kenya). The Director is of the opinion that the Laboratory's financial statements give a true and fair view of the state of Laboratory's transactions during the financial year ended June 30, 2024, and of the Laboratory's financial position as at that date.

The Director further confirms the completeness of the accounting records maintained for the Laboratory, which have been relied upon in the preparation of the National Quality Control Laboratory's financial statements as well as the adequacy of the systems of internal financial control.

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

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Approval of the financial statements

The Laboratory's financial statements are approved and signed by the Chairperson of the Board and the Ag. Director and Secretary to the Board of Directors.



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Name

Chairperson of the Board/Council

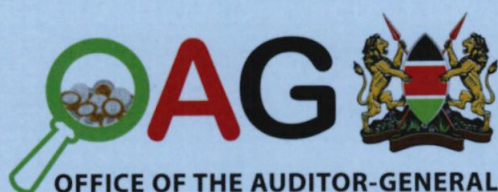


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Name: Dr. Hope Kwena

Accounting Officer

REPUBLIC OF KENYA

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



Enhancing Accountability

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

DRAFT REPORT OF THE AUDITOR-GENERAL ON NATIONAL QUALITY CONTROL LABORATORY FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of National Quality Control Laboratory set out on pages 27 to 120, which comprise of the statement of financial

Report of the Auditor-General on National Quality Control Laboratory for the year ended 30 June, 2024

position as at 30 June, 2024 and the statement of financial performance, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of National Quality Control Laboratory as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and Pharmacy and Poisons Amendment Act, 1992.

Basis for Adverse Opinion

1. Inaccuracies in the financial statements

Review of the financial statements revealed the following inaccuracies and variances in the financial statements:

1.1. Statement of Financial Performance

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects public contributions and donations of Kshs.5,974,672 and Kshs.22,887,583 relating to 2023/2024 and 2022/2023 financial years respectively. Further, the public contribution and donations of Kshs.5,974,672 and Kshs.22,857,583 in the year 2023/2024 and 2022/2023 financial years were recognized twice in the statement of financial performance.

1.2. Statement of Financial Position

- i. The statement of financial position as at 30 June, 2024 was not balanced. Though the statement does not indicate the net assets for 2023/2024 financial year, net assets as at 30 June, 2024 amounted to Kshs.3,524,263,811 while capital, equity and reserves total to Kshs.3,513,690,454 resulting to a variance of Kshs.10,573,357.
- ii. The statement of financial positions reflects total net assets (reserve, equity and accumulated reserve) of Kshs.3,519,469,271 in the 2022/2023 financial year comparative column. However, recomputed total net asset amount to Kshs.3,584,669,085 resulting to a variance of Kshs.65,199,814. Further, the statement does not indicate the net assets for the 2022/2023 financial year of Kshs.3,584,669,085.

- iii. The statement of financial position reflects current receivables from exchange transactions of Kshs.20,266,123 which differs with Note 29(a) to the financial statements balance of Kshs.20,556,403 resulting to variance of Kshs.290,280.
- iv. The statement of financial position reflects inventories of Kshs.17,288,679 which differ with Note 31 to the financial statements balance of Kshs.17,066,399 resulting to a variance of Kshs.222,280.

1.3. Statement of Changes in Net Assets

The statement of changes in net assets for the year 30 June, 2024 was included in the financial statements with Nil amounts and balances.

1.4. Statement of Cash Flows

- i. The statement of cashflows reflects total receipts of Kshs.46,745,223 which erroneously includes deficit of Kshs.12,066,557
- ii. The statement of cash flows erroneously reflects net cashflows from investing activities of Kshs.52,490,728 which include depreciation and amortization of Kshs.16,115,059, decrease in receivables of Kshs.18,680,570, decrease in inventories of Kshs.(24,778,541), decrease in payables Kshs.(6,248,189.) and decrease in payables staff gratuity of Kshs.(835,254) instead of classifying these items under operating activities. Further, the statement of cash flows reflects decrease in payables of Kshs.6,248,189 while the increase in current liabilities in the statement of financial position amount to Kshs.4,851,810 resulting to a variance of Kshs.11,099,999.
- iii. The statement of cashflows reflects decrease in receivables of Kshs.18,650,570 which relates to current assets receivables from exchange transactions. However, the statement of cash flow does not include increase in non-current assets receivables from exchange transactions-KEMSA resulting to a variance of Kshs.7,626,317. Further, the decrease in receivables of Kshs.18,680,570 differs with re computed amount of Kshs.18,690,571 resulting to variance of Kshs.10,001.
- iv. The statement of cashflows reflects net cashflows from operating activities of Kshs.(8,018,055) which differs with Note 45 to the financial statements relating to net cashflow from operating activities of Kshs.40,424,170 resulting to a variance of Kshs 48,442,225.
- v. The statement of cashflow reflects cash and cash equivalent balance of Kshs.409,394 as at 30 June, 2024 which differs with re computed balance of Kshs.50,612,274 resulting to a variance of Kshs.50,202,880.
- vi. Review of the financial statements revealed variances between the balances reflected in the statement of cash flows and re calculated balances in as detailed below.

1.5 Variances Between the Financial Statements and Notes to the Financial Statements

- i) Note 33 to the financial statements reflects property, plant and equipment balance of Kshs.3,518,130,695 which differs with recomputed balance of Kshs.3,516,006,096 resulting to a variance of Kshs.2,124,599.
- ii) The Note on financial risk management included on page 108 reflects total financial assets as at 30 June, 2024 of Kshs.38,032,197 which differ with recomputed amount of Kshs.38,254,476 resulting to a variance of Kshs.222,279

In the circumstances, the accuracy and completeness of the amounts and balances reflected in statement of financial performance, statement of financial position, statement of changes in net assets, statement of cashflows statements and notes to the financial statements could not be confirmed.

2. Over Statement of Expenditures

2.1. Use of Goods and Services

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects use of goods and services of Kshs.23,261,910 which includes audit fees, telecommunication and consumables of Kshs.1,368,000, Kshs.1,637,259 and Kshs.1,857,144 respectively.

Further included in audit fees of Kshs.1,368,000, telecommunication of Kshs.1,637,259 and consumables of Kshs.1,857,144 is previous year expenditure amounting to Kshs.1,600,478 which includes audit fees of Kshs.684,000, telecommunication of Kshs.39,900 and consumables of Kshs.876,578 included in current year expenditure. This was contrary to Paragraph 7 of International Public Sector Accounting Standards 1 which states that accrual basis means a basis of accounting under which transactions and other events are recognized when they occur and not only when cash or its equivalent is received or paid .

In the circumstances, the accuracy and completeness of use of goods and services of Kshs.23,261,910 could not be confirmed.

2.2. Repairs and Maintenance

The statement of financial performance and as disclosed in Note 20 to the financial statements reflects of repair and maintenance of Kshs.4,452,259 out of which expenditure of Kshs.433,756 relate to transactions for the previous year. This was contrary to Paragraph 7 of International Public Sector Accounting Standards 1 which states accrual basis means a basis of accounting under which transactions and other events are recognized when they occur and not only when cash or its equivalent is received or paid

In the circumstances, the accuracy and completeness of repairs and maintenance of Kshs.4,452,259 could not be confirmed.

2. Non-Disclosure of Depreciation and Amortization Rates Applied in the Financial Statements

The statement of financial performance and as disclosed in Note 19 reflects depreciation and amortization expense of Kshs.16,115,059 during the year under review. However, the management did not disclose the depreciation and amortization method and rates applied for the year contrary to Paragraph 88 of IPSAS 17 which states that the financial statements shall disclose the depreciation methods used.

In the circumstances, the accuracy and completeness of depreciation and amortization expenses of Kshs.16,115,059 could not be confirmed.

3. Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 28 to the financial statements reflects cash and cash equivalents of Kshs.409,395 which differs with the cashbook balance of Kshs.2,499,441 resulting to unreconciled variance of Kshs.2,090,046 contrary to paragraph 27 of IPSAS 1 on presentation of financial statements which states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs.

In the circumstances, the accuracy and completeness cash and cash equivalent balance of Kshs.409,394 could not be confirmed.

4. Long Outstanding Long Term Receivable from Exchange Transactions

The statement of financial position reflects current assets receivables from exchange transactions of Kshs.20,266,123 which differs with Note 29(a) to the financial statements reported balance of Kshs.20,556,403. Included in the balance is receivables from exchange transactions of Kshs.11,951,618 which have been outstanding for more than two years with no agreed payment plan long term contrary to Section 83 (2) (g) of the Public Finance Management (National Government) Regulations, 2015 which states that it is the responsibility and duty of the accounting officer to pursue debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the government are collected and banked promptly.

Further the statement of financial position and as disclosed in Note 29(b) reflects non-current asset receivable from exchange transactions of Kshs.7,626,317 from Kenya Medical Supplies Authority (KEMSA) which has been outstanding for more than seventeen (17) years.

In the circumstances, the accuracy, completeness and existence of the total receivables of Kshs.28,182,720 could not be confirmed.

5. Lack of Approved Policy for Doubtful Debts Provisioning

The statement of financial position and as disclosed in Note 29(a) and 29(b) to the financial statements reflects total receivables of Kshs.28,182,720 which include current asset receivables of Kshs.20,556,403 and long term receivables of Kshs.7,626,317 . However there was no policy for doubtful debts provisioning to guide the controls and management of the receivables from exchange transactions contrary to Section 66(1) of Public Finance Management Act, 2012 which states that subject to the Constitution, the accounting officer of the Judiciary, Parliamentary Service Commission, constitutional commissions and independent offices shall monitor, evaluate and oversee the management of public finances in their respective entities, including the implementation of financial policies in relation to public finances.

In the circumstances, the accuracy and reliability of total receivables balance of Kshs.28,172,720 reflected in financial statements could not be confirmed.

6. Unreconciled Inventory Balance

The statement of financial position reflects inventories balance of Kshs.17,288,679 which differs with Note 31 to the financial statements reported balance of Kshs.17,266,399 during the year under review. Further, review of the sampled store ledger cards compared to the end of the year stock sheets revealed unreconciled stock variances of Kshs.1,762,259 contrary to Section 162 (1) of Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer of a procuring entity shall ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity.

In addition, inventory balance of Kshs.2,270,147 which relates to expired chemicals were still being held in the stores as at the time of the audit.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.17,288,679 could not be confirmed. In addition, storage of expired chemicals poses a health risk for staff exposed to the chemicals

8. Variances in valuation of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 33 to the financial statements reflects property, plant and equipment balance of Kshs.3,518,130,695 out of which Kshs.3,500,000,000 relates to two parcels of land situated in Upper Hill, Nairobi. Valuation report provided for audit review reflects the two parcels of land measured 9.558036 acres at a rate of Kshs.450,000,000 per acre amounting to Kshs.4,301,116,200 which differs with the recorded land balance of Kshs.3,500,000,000 in Note 33 to the financial statements resulting to unreconciled difference of Kshs.801,116,200 contrary to

Paragraph 27 of IPSAS 1 which states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.3,518,130,695 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipt budget of Kshs.76,312,250 and actual receipts of Kshs.52,837,112 resulting to revenue shortfall of Kshs.23,475,138. Further, the statement reflects total expenditure budget of Kshs.76,312,250 and actual expenditure of Kshs.54,763,310 resulting to under-utilization of Kshs.21,548,940.

In the circumstances, the management was not able to achieve the strategic goals and objectives of the fund arising from underfunding in the budget. My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

In the audit report of the previous year, several issues were raised under the adverse Opinion and Report on Lawfulness and Effectiveness in use of Public Resources. However, the Management had not resolved several issues contrary to Section 68(2) (I) of Public Finance Management Act, 2012 which states that in the performance of a function under subsection (1), an accounting officer shall take appropriate measures to resolve any issues arising from audit which may remain outstanding

Other Information

The Directors are responsible for the other information set out on page 2 to 12 which comprise of Key Entity Information and Management, The Board of Directors, Key management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Director Responsibilities, The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the National Quality Control Laboratory financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. Based on the audit procedures performed, because of the significance of the matters described in my Basis for Adverse Opinion, I confirm that the Other Information is materially inconsistent with the financial statements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of an Approved Budget

The statement of comparison of budget against actual amounts reflects final receipt and expenditure budget of Kshs.76,312,250. However, the budget was not approved by Board of Directors, relevant Ministry and National Treasury contrary to Section 35J (4) of Pharmacy and Poisons Act, 2012 which states that the estimates for the expenditure of the Laboratory shall be submitted through the Minister for approval by the Treasury.

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

2. Irregular Payment of Staff Deployed from Ministry of Health

The statement of financial performance and as disclosed in Note 17 to the financial statements reflects employee costs of Kshs.25,465,577. Review of payroll records

provided for review revealed that the management paid staff allowances of Kshs.2,135,000 to seconded staffs from the Ministry of Health despite the staff having been compensated by the Ministry of Health for the duties carried out at National Quality Control Laboratory contrary to section 68(1) of the Public Finance Management Act, 2012 which states that an accounting officer for a national government entity, Parliamentary Service Commission and the Judiciary shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a way that is lawful, authorized, effective, efficient, economical and transparent.

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

3. Irregular Payment of Transport Allowance

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects use of goods and services of Kshs.23,261,910 which includes travel, subsistence and other allowances Kshs.3,756,455 out of which Kshs.245,000 was paid as transport allowance at the rate of 5,000 per person without an approved policy guiding the payment of the amounts contrary to Section 68(1) of the Public Finance Management Act, 2012 states that an accounting officer for a national government entity, Parliamentary Service Commission and the Judiciary shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a way that is lawful, authorized, effective, efficient, economical and transparent.

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

3. Lack of Evaluation Report and Professional Opinion

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects use of goods and services of Kshs.23,261,910. However, procurement of goods and services of Kshs.1,076,469 was not supported with evaluation reports and professional opinions as contrary to Section 78 (1) and 91(4) of Public Procurement and Asset Disposal Regulation, 2020.

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

4. Lack of Prequalification Documents

The statement of financial performance and as disclosed in Note 16 and Note 20 to the financial statements reflects use of goods and services and repairs and maintenance balances of Kshs.23,261,910 and Kshs.4,452,259 respectively. However, expenditures of Kshs.3,887,776 and Kshs.1,913,547 for use of goods and services and repair and maintenance respectively were not supported with various prequalification documents contrary to Section 94(1) Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer of a procuring entity shall promptly issue prequalification

documents to all candidates who request them and shall maintain a record of all candidates to whom documents are issued:

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

5. Long Outstanding Payables

The statement of financial position and as disclosed in Note 36 to the financial statements reflects trade and other payables of Kshs.21,507,398 out of which Kshs.10,260,348 have been outstanding for more than two years contrary to Section 42(1) (a) of the Public Finance Management (National Government) Regulations, 2015 which states that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the Government does not default on debt obligations.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply 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, because of the significance of the matter discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Internal Audit Committee

During the year under review National Quality Control Laboratory did not have an internal audit committee thus audit reports for the organization were not reviewed by the internal audit committee contrary to Regulation 174 (1) of the Public Finance Management Regulation, 2015 which states that subject to paragraph (2) of this regulation, each national government entity shall establish an audit committee.

In the circumstances, the oversight on the internal control environment could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Laboratory's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December, 2024

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

11. Statement of Financial Performance for the year ended 30 June 2024

	Notes	2023-2024	2022-2023
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities		0.00	0.00
Levies, Fines, and penalties		0.00	0.00
Public contributions and donations	8	5,974,672.21	22,887,583.00
Property taxes revenue		0.00	0.00
Licences and permits		0.00	0.00
		5,974,672.21	22,887,583.00
Revenue from exchange transactions			
Rendering of services	11	52,837,112.99	51,780,907.00
Sale of goods		0.00	0.00
Rental revenue from facilities and equipment		0.00	0.00
Finance income		0.00	0.00
Other income		0.00	0.00
Total revenue		58,811,785.2	74,668,490.00
Expenses			
Use of goods and services	16	23,261,910.21	27,403,011.00
Employee costs	17	25,465,577.99	50,307,323.00
Board Expenses	18	1,583,536.00	0.00
Depreciation and amortization expense	19	16,115,059.73	0.00
Provision for Bad debts			
Provision for Audit fees & Consultancy			
Repairs and maintenance	20	4,452,259.00	9,610,041.00
Contracted services		0.00	0.00
Grants and subsidies		0.00	0.00
General expenses		0.00	0.00

NATIONAL QUALITY CONTROL LABORATORY
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For the year ended June 30, 2024.

	Notes	2023-2024	2022-2023
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities		0.00	0.00
Levies, Fines, and penalties		0.00	0.00
Public contributions and donations	8	5,974,672.21	22,887,583.00
Property taxes revenue		0.00	0.00
Licences and permits		0.00	0.00
Finance costs		0.00	0.00
Total expenses		70,878,342.93	87,320,375.00
Other gains/(losses)		0)	(12,651,885.00)
Gain on sale of assets		0.00	0.00
Gain on foreign exchange transactions		0.00	0.00
Unrealized gain on fair value of investments		0.00	0.00
Impairment loss		(0.00)	(0.00)
Surplus before tax		(12,066,557.73)	(12,651,885.00)
Taxation		(0.00)	(0.00)
Surplus/(deficit) for the period/year		(12,066,557.73)	(12,651,885.00)
Remission to National Treasury		0.00	0.00
Net Surplus for the year		(12,066,557.73)	(12,651,885.00)
Attributable to:			
Surplus/(deficit) attributable to minority interest		0.00	0.00
Surplus attributable to owners of the controlling Entity		0.00	0.00
		0.00	0.00

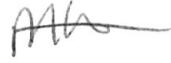
The notes set out on pages 38 to 98 form an integral part of these Financial Statements.

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

The Financial Statements set out on pages 27 to 37 were signed on behalf of the Board of Directors
by:

Accounting Officer

Head of Finance



Chairman of the Board

Name: Dr. Mathayo Kwena

Name: Merceline Adhiambo

Name: Dr. John Muturi

Date: 30/06/2024

ICPAK Member Number:

Date: 30/06/2024

Date 30/06/2024

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

12. Statement of Financial Position as at 30 June 2024

	Notes	2023 -2024	2022-2023
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	28 a	409,394.57	6,139,602.00
Receivables from Exchange Transactions	29 a	20,266,123.23	38,956,694.00
Receivables from Non-Exchange Transactions	30	50,000.00	40,000.00
Inventories	31	17,288,679.20	42,067,221.00
Investments			0.00
Total Current Assets		38,014,197.00	87,203,517.00
Non-Current Assets			
Property, Plant and Equipment (Land, Equipment, Computers, Printers & F&F)	33	3,518,130,695.80	3,532,121,156.00
Deferred Income GTZ Donated assets			
Investments			0.00
Intangible Assets (LIMS)			0.00
Investment Property			0.00
Receivables from Exchange Transactions-KEMSA	29 b	7,626,317.00	
Total Non- Current Assets		3,525,757,012.80	3,532,121,156.00
Total Assets		3,563,771,209.80	3,619,324,673.00

NATIONAL QUALITY CONTROL LABORATORY
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For the year ended June 30, 2024.

	Notes	2023 -2024	2022-2023
		Kshs	Kshs
Liabilities			
Current Liabilities			
Trade and Other Payables	36	21,507,398.15	33,820,334.00
Refundable Deposits from Customers			0.00
Current Provision			0.00
Finance Lease Obligation			0.00
Current Portion of Borrowings			0.00
Deferred Income			0.00
Employee Benefit Obligation		0.00	835,254.00
Taxation (16% VAT)		18,000,000.00	0.00
Total Current Liabilities		39,507,398.15	34,655,588.00
Non-Current Liabilities			
Non-Current Employee Benefit Obligation		0.00	0.00
Non-Current Provisions		0.00	0.00
Borrowings		0.00	0.00
Service Concession Liability		0.00	0.00
Deferred Tax Liabilities		0.00	0.00
Total Non- Current Liabilities		0.00	0.00
Total Liabilities		39,507,398.15	34,655,588.00

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

	Notes	2023 -2024	2022-2023
		Kshs	Kshs
Net Assets			
Reserves- Revaluation			3,532,121,156.00
equity reserve		3,525,757,012.80	60,459,312.00
Accumulated Surplus		0.0	4,740,502.00
capital Fund-Deficit for the year		(12,066,557.73)	(12,651,885.00)
Total Net Assets		3,513,690,455.07	3,519,469,271.00
Total Net Assets and Liabilities		3,553,197,853.22	3,619,324,673.00

The financial statements set out on pages 27 to 37 were signed on behalf of the Board of Directors by:

Name: Dr Mathayo Kwena

Name: Merceline Adhiambo

Name: Dr. John Muturi

Accounting Officer

Head of Finance

Chairman of the Board

Date: 30/06/2024

Date: 30/06/2024

Date: 30/06/2024

13. Statement of Changes in Net Assets for the year ended 30 June 2024

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retaine d earnings	Proposed dividends	Capital / Develo pment Grants/ Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issued new capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revaluation gain	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfer of excess depreciation on revaluation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax on excess depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fair value adjustment on quoted investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Surplus/ deficit for the year	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital/development grants received during the year	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfer of depreciation/amortisation from capital fund to retained earnings	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retaine d earnings	Proposed dividends	Capital / Develo pment Grants/ Fund	Total
Dividends paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interim dividends paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Proposed final dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at June 30, 2024	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at July 1, 2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issue of new share capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revaluation gain	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfer of excess depreciation on revaluation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax on excess depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fair value adjustment on quoted investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Surplus/ deficit for the year	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retaine d earnings	Proposed dividends	Capital / Develo pment Grants/ Fund	Total
Capital/development grants received during the year	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfer of depreciation/amortisation from capital fund to retained earnings	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividends paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interim dividends paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Proposed final dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at June 30, 2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Note:

1. *For items that are not common in the financial statements, the Entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*
2. *Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.*

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

14. Statement of Cash Flows for the year ended 30 June 2024

		2023-2024	2022-2023
	Notes	Kshs	Kshs
Cash flows from operating activities			
DEFICIT/SURPLUS		(12,066,557.73)	
Transfers from other governments entities		0.00	0.00
Levies, fines, and penalties		0.00	0.00
Public contributions and donations		5,974,672.21	22,887,583.00
Property taxes revenue			0.00
Licences and permits			0.00
Rendering of services		52,837,112.99	51,780,907.00
Sale of goods			0.00
Rental revenue from facilities and equipment			0.00
Finance income			0.00
Other income			0.00
Total receipts		46,745,227.47	74,668,490.00
Payments			
Use of goods and services		23,261,910.21	27,403,011.00
Employee costs		25,465,577.99	50,307,323.00
Board Expenses		1,583,536.00	00.00
Repairs and maintenance		4,452,259.00	9,610,042.00
Contracted services			0.00
Grants and subsidies			0.00
Total payments		54,763,283.2	87,320,375.00
		(8,018,055.7)	(12,651,885.00)

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

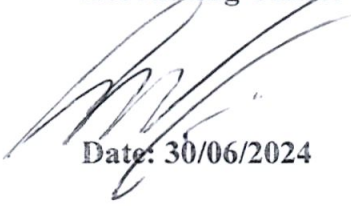
		2023-2024	2022-2023
	Notes	Kshs	Kshs
Cash flows from investing activities			
depreciation / amortization		16,115,059.73	(0.00)
Decrease in receivables		18,680,570.77	0.00
Decrease in inventories		24,778,541.80	(0.00)
Decrease in payables		(6,248,189.85)	0.00
Decrease in payables- Staff Gratuity		(835,254.00)	0.00
Net cash flows from/(used in) investing activities		52,490,728.45	0.00
Cash flows from financing activities			
(Decrease)Increase in deposits- prepayments			
Proceeds from borrowings		0.00	0.00
Repayment of borrowings		0.00	(0.00)
Proceeds from issue of shares		0.00	0.00
Net cash flows from financing Activities		0.00	0.00
Net increase/(decrease) in cash & Cash equivalents		44,472,672.72	(12,651,885.00)
Cash and cash equivalents at 1 July 2023		6,139,602.00	13,909,538.00
Cash and cash equivalents at 30 June 2024		409,394.57	6,139,602.00

The financial statements set out on pages 27 to 37 were signed on behalf of the Board of Directors by:

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

Name: Dr. Mathayo Kwena

Accounting Officer



Date: 30/06/2024

Name: Merceline Adhiambo

Head of Finance

ICPAK M/No:

Date: 30/06/2024

Name: Dr. John Muturi

Chairman of the Board



Date: 30/06/2024

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

15. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers from Other Governments entities	0.00	-	0.00	0.00	(0.00)	0.00
Levies, Fines and Penalties	0.00	(0.00)	0.00	0.00	(0.00)	0.00
Public Contributions and Donations	0.00	(0.00)	0.00	0.00	(0.00)	0.00
Property Taxes Revenue	0.00	-	0.00	0.00	0.00	0.00
Licences and Permits	0.00	-	0.00	0.00	0.00	0.00
Rendering of Services	76,312,250.00	(0.00)	76,312,250.00	52,837,112.99	(23,475,137.01)	69%
Sale of Goods	0.00	-	0.00	0.00	(0.00)	0.00
Rental Revenue from Facilities and Equipment	0.00	-	0.00	0.00	0.00	0.00
Finance Income	0.00	0.00	0.00	0.00	(0.00)	0.00
Agency Income	0.00	0.0	0.00	0.00	(0.00)	0.00
Other Income	0.00	0.00	0.00	0.00	(0.00)	0.00

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
Total Income	76,312,250.00	(0.00)	76,312,250.00	52,837,112.99	0.00	69%
Expenses						
Use of Goods and Services	24,843,100.00	0.00	24,843,100.00	23,261,910.21	1,581,189.79	6.3%
Employee costs	37,632,600.00	(0.00)	37,632,600.00	25,465,577.99	12,167,022.01	32.3%
Remuneration of Directors	3,506,250.00	(0.00)	3,506,250.00	1,583,536.00	1,922,714.00	54%
Depreciation and Amortisation expense	0.00	0.00	0.00	0.00	0.00	0.00
Repairs and Maintenance	10,330,300.00	0.00	10,330,300.00	4,452,259.00	5,878,041.00	56%
Contracted Services	0.00	0.00-	0.00	0.00	(0.00)	0.00
Grants and Subsidies	0.00	0.00-	0.00	0.00	0.00	0.00
Total Expenditure		(0.00)	76,312,250.00	54,763,310.21	21,548,966.8	28.2%
Surplus for the period	0.00	0.00	0.00	0.00	0.00	0.00
Capital Expenditure	0.00	0.00	0.00	0.00	0.00	0.00

BUDGET NOTES

1. Employee costs

Annual Report and Financial Statements
the year ended June 30, 2024.

This budget line recorded a 32.3% under because of two reasons; first the revenue targets for the year were not met and also the board was appointed towards the end of the year therefore the replacement of staff whose contracts ended was not done.

2. Board remuneration

The board was appointed towards the end of the financial year therefore held a few meetings.

3. Repairs and maintenance

This expenditure line had 56% under utilisation because of lack of service providers locally. The HPLC machine calibration was delayed and pushed to the next financial year.

NATIONAL QUALITY CONTROL LABORATORY

Annual Report and Financial Statements

For the year ended June 30, 2024.

16. Notes to the Financial Statements

1. General Information

The National Quality Control Laboratory is established by and derives its authority and accountability from Section 35D of the Pharmacy and Poisons Act Cap 244 of the Laws of Kenya. The National Quality Control Laboratory is wholly owned by the Government of Kenya and is domiciled in Kenya. The National Quality Control Laboratory's principal activity is to examine and test medicines for quality and carry out Good Manufacturing Practices inspections in pharmaceutical manufacturing industry premises.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical accrual basis except for the measurement at revalued amounts of certain items of property, plant and equipment, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS 33) which the first-time adopter adopts accrual basis IPSASs and for which it presents its first transitional IPSAS financial statements or its first IPSAS financial statements. This will give a three Year Transitional Relief Period for the Recognition and/or Measurement of Assets and/or Liabilities. The other standard used is the (IPSAS 1) which is the fundamental principle underlying the preparation of financial statements including the going concern, assumptions, consistency, accrual basis of accounting and aggregation & materiality. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Laboratory.

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

NATIONAL QUALITY CONTROL LABORATORY
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For the year ended June 30, 2024.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

The National Quality Control Laboratory has adopted International Public Sector Accounting Standards (IPSAS 20) and (IPSAS 33) for the preparation of financial statements. Whereby (IPSAS 33) relates to the first-time adopter of accrual basis of financial reporting. Hence (IPSAS 20) which requires disclosure of information about transactions between the NQCL and its related parties. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
IPSAS 20:	<p>1st July 2023</p> <p>(IPSAS 20) requires disclosure of information about transactions between the NQCL and its related parties, like PPB and KEMSA</p>
IPSAS 33:	<p>1st July 2023</p> <p>The financial statements have been prepared on a historical accrual basis except for the measurement at revalued amounts of certain items of property, plant and equipment, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value</p>
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an NQCL’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the NQCL. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the National Quality

NATIONAL QUALITY CONTROL LABORATORY
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Standard	Effective date and impact:
	<p>Control Laboratory's financial performance, financial position and cash flows.</p> <p>Although NQCL has a social responsibility of offer free training services, was not quantified in terms of finances.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>This standard was not used since NQCL did not borrow funds.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> ● <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> ● <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer</p>

NATIONAL QUALITY CONTROL LABORATORY
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For the year ended June 30, 2024.

Standard	Effective date and impact:
	<p>defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of NQCL.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p> <p>This standard was not applied since NQCL did not have any lease during the financial year.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of</p>

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Standard	Effective date and impact:
	financial performance. The standard was not applied during the financial year 2022- 2023.

i. Early adoption of standards

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4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

The National Quality Control Laboratory 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)

Summary of Significant Accounting Policies (Continued)

Sale of goods

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

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the National Quality Control Laboratory's right to receive payments is established.

Rental income

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

b) Budget information

The original budget for FY 2023-2024 was approved by the Laboratory Management Staff, since there was no board.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

The National Quality Control Laboratory'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 an 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.

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 National Quality Control Laboratory 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)

Summary of Significant Accounting Policies (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.

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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

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 National Quality Control Laboratory 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.

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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 National Quality Control Laboratory. 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 National Quality Control Laboratory 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 National Quality Control Laboratory 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 National Quality Control Laboratory. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. However during the financial year 2022- 2023 NQCL did not have leased obligation.

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 National Quality Control Laboratory expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the National Quality Control Laboratory 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.

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 National Quality Control Laboratory 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. A mortised 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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the National Quality Control Laboratory 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.

Impairment of financial assets

The National Quality Control Laboratory assesses at each reporting date whether there is objective evidence that a financial asset or financial assets is impaired. A financial asset or an 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 National Quality Control Laboratory 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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Loans and borrowing

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

j) **Inventories**

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. Revaluation reserve is maintained for the purpose revaluing assets that belong to NQCL.

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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (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 the 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, however NQCL did not borrow any funds during the financial year.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) Related parties

NQCL 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

NQCL 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 authorized 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, 2024

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, due change from cash to accrual basis of reporting some estimates may not be very accurate, but that has been take care of by IPSAS 33. bout 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:

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 value

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 Note 40.

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 Other Government entities

Description	2022-2023	2021-2022
	KShs	KShs
Unconditional Grants		
Operational Grant	0.00	0.00
Other Grants	0.00	0.00
Total Unconditional Grants	0.00	0.00
Conditional Grants		
National Housing Grant	0.00	0.00
National Infrastructure Grant	0.00	0.00
Provincial Health Grant	0.00	0.00
Social Services Grant	0.00	0.00
Basic Services Subsidy	0.00	0.00
Transportation Fund (International Funding)	0.00	0.00
Other Organizational Grants	0.00	0.00
Total Government Grants And Subsidies	0.00	0.00

(Explain the purpose of funding)

b) 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 2023-24	Prior year 2022-2023
			KShs	KShs	KShs
Ministry/State Department	0.00	0.00	0.00	0.00	



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Xxx Ministry	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending Entity Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix)

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Notes to the Financial Statements (Continued)

7. Levies, Fines and Penalties

Description	2023-2024	2022-2023
	Kshs	Kshs
Fuel Levy	00.00	00.00
Other Levies (Specify)	0.00	0.00
Fines	0.00	0.00
Penalties	0.00	0.00
Total	0.00	0.00

(Provide brief explanation for this revenue)

8. Public Contributions and Donations

Description	2023-2024	2022-2023
	Kshs	Kshs
The Green Belt Movement	0.00	0.00
Health Donations	0.00	0.00
Research Donations	0.00	0.00
Other Public Donations (Donations)	5,974,672.21	22,887,583.00
Total Transfers and Sponsorships	5,974,672.21	22,887,583.00
Reconciliation Of Public Contributions and Donations		
Balance Unspent at Beginning of The Year	0.00	0.00
Current Year Receipts	0.00	0.00
Conditions Met - Transferred to Revenue	0.00	0.00
Conditions To Be Met - Remain Liabilities	0.00	0.00

(Provide brief explanation for this revenue)

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Notes to the Financial Statements (Continued)

9. Property Taxes Revenue

Description	2023-2024	2022-2023
	KShs	KShs
Taxable Land and Buildings		
Residential	0.00	0.00
Commercial	0.00	0.00
State	0.00	0.00
Penalties	0.00	0.00
Sub- Total Property and Taxes	0.00	0.00
Income Forgone	(0.00)	(0.00)
Total Property Taxes Revenue	0.00	0.00

(Provide brief explanation for this revenue)

10. Licences, Fees and Permits

Description	2023-2024	2022-2023
	Kshs	Kshs
Licences	0.00	0.00
Fees	0.00	0.00
Permits	0.00	0.00
Total	0.00	0.00

(Provide brief explanation for this revenue)

11. Rendering Of Services

Description	2023-2024	2022-2023
	KShs	KShs
Waste Management (Solid Waste)	0.00	0.00

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Waste Management (Sewerage & Sanitation)	0.00	0.00
Service Fees	52,837,112.99	51,780,907.00
Water Quality	0.00	0.00
Quality Assurance	0.00	0.00
Total Revenue from The Rendering Of Services	52,837,112.99	51,780,907.00

This is the amount charged for testing medicines and HPTs for clients. Certificates of Analysis are issued after the tests are completed.

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Notes to the Financial Statements (Continued)

12. Sale of Goods

Description	2023-2024	2022-2023
	Kshs	Kshs
Sale of goods		
Sale of electricity	0.00	0.00
Sale of water	0.00	0.00
Sale of books	0.00	0.00
Sale of publications	0.00	0.00
Other (include in line with your organization)	0.00	0.00
Total revenue from the sale of goods	0.00	0.00

13. Rental Revenue from Facilities and Equipment

Description	2023-2024	2022-2023
	Kshs	Kshs
Operating Lease Revenues	0.00	0.00
Staff Houses	0.00	0.00
Contingent Rentals*	0.00	0.00
Total Rentals	0.00	0.00

14. Finance Income

Description	2023-2024	2022-2023
	Kshs	Kshs
Cash investments and fixed deposits	0.00	0.00
Interest income from Treasury Bills	0.00	0.00

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Interest income from Treasury Bonds	0.00	0.00
Interest from outstanding debtors	0.00	0.00
Total finance income	0.00	0.00

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Notes to the Financial Statements (Continued)

15. Other Income

Description	2023-2024	2022-2023
	Kshs	Kshs
Insurance recoveries	0.00	0.00
Bulk infrastructure levies	0.00	0.00
Infrastructure improvement fee	0.00	0.00
Income from sale of tender	0.00	0.00
Services concession income	0.00	0.00
Skills development levy	0.00	0.00
Agency fee	0.00	0.00
Total other income	0.00	0.00

16. Use of Goods and Services

Description	2023-2024	2022-2023
	Kshs	Kshs
Electricity	.00	942,023.00
Water	0.00	0.00
Security	0.00	0.00
Professional Services	0.00	0.00
Subscriptions	527,600.00	662,270.00
Advertising	0.00	0.00
Admin Fees-bank charges, office expenses	174,650.50	118,698.00
Audit Fees	1,368,000.00	1,380,000.00
Conferences and Delegations	0.00	0.00
Consulting Fees	0.00	230,000.00

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Description	2023-2024	2022-2023
	Kshs	Kshs
Consumables	1,857,144.00	1,563,675.00
Fuel and Oil	126,673.00	10,020.00
Insurance	2,100,000.00	2,092,084.00
Legal Expenses	0.00	0.00
Licenses and Permits	0.00	0.00
Chemicals	7,349,201.00	11,121,099.00
Utilities	1,111,124.21	0.00
Postage	0.00	0.00
Printing and Stationery	1,862,087.00	0.00
Hire Charges	0.00	0.00
Rental	0.00	0.00
Security Costs	0.00	0.00
Sewage Treatment Costs	0.00	0.00
Skills Development Levies	0.00	0.00
Inventory Scrapping	0.00	0.00
Telecommunication	1,637,259.00	899,478.00
Training	713,044.00	802,705.00
Travel, Subsistence & Other Allowances*	3,756,455.00	6,807,067.00
Other General Expenses	678,673.00	773,892.00
Total	23,261,910.21	27,403,011.00

17. Employee Costs

Description	2023-2024	2022-2023
	Kshs	Kshs

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Salaries and wages	12,458,284.10	11,883,900.00
Employer contribution to health insurance schemes		151,200.00
Employer contribution to pension schemes	340,200.00	00.00
Travel, accommodation, subsistence, & other allowances	1,260,000.00	1,335,000.00
Housing benefits and allowances	3,706,200.00	4,027,950.00
Overtime payments	.00	31,417.00
Performance and other bonuses	00.00	00.00
Social contributions	00.00	00.00
Gratuity	4,001,683.74	8,002,486.00
Other employee *6 MOH Staff Salaries and NQCI Extraneous, risk & leave allowances	3,699,210.15	24,875,370.00
Employee costs	25,465,577.99	50,307,323.00

Other employees' related costs include amounts paid; 6 MOH staff salaries paid by MOH, extraneous, risk and leave allowances.

18. Board Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Chairman/Directors' Honoraria	0.00	0.00
Sitting Allowances	530,736.00	0.00
Medical Insurance	0.00	0.00

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Induction and Training	480,000.00	0.00
Travel and Accommodation	452,800.00	0.00
Other Allowances	120,000.00	0.00
Total	1,583,536.00	0.00

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19. Depreciation and Amortisation Expense

Description	2023-2024	2022-2023
	Kshs	Kshs
Property, plant and equipment	16,115,059.73	0.00
Intangible assets	0.00	0.00
Investment property carried at cost	0.00	0.00
Total depreciation and amortisation	16,115,059.73	0.00

20. Repairs and Maintenance

Description	2023-2024	2022-2023
	Kshs	Kshs
Property	0.00	0.00
Investment Property – Earning Rentals	0.00	0.00
Equipment and Machinery	0.00	0.00
Vehicles	0.00	0.00
Furniture and Fittings	0.00	0.00
Computers and Accessories	0.00	0.00
Others	4,452,259.00	9,610,042.00
Total Repairs and Maintenance	4,452,259.00	9,610,042.00

21. Contracted Services

Description	2023-2024	2022-2023
	Kshs	Kshs
Actuarial Valuations	0.00	0.00
Investment Valuations	0.00	0.00
Property Valuations	0.00	0.00

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Total Contracted Services	0.00	0.00
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22. Grants and Subsidies

Description	2023-2024	2022-2023
	Kshs	Kshs
Community Development	0.00	0.00
Education Initiatives and Programs	0.00	0.00
Social Development	0.00	0.00
Community Trust	0.00	0.00
Sporting Bodies	0.00	0.00
Total Grants and Subsidies	0.00	0.00

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23. Finance Costs

Description	2023-2024	2022-2023
	Kshs	Kshs
Borrowings (amortized cost)*	0.00	0.00
Finance leases (amortized cost)	0.00	0.00
Unwinding of discount	0.00	0.00
Interest on bank overdrafts	0.00	0.00
Interest on loans from commercial banks	0.00	0.00
Total finance costs	0.00	0.00

**Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalization as per IPSAS 5: on borrowing costs should be included under this note.)*

24. Gain on Sale of Assets

Description	2023-2024	2022-2023
	Kshs	Kshs
	0.00	0.00
Property, plant and equipment	0.00	0.00
Intangible assets	0.00	0.00
Other assets not capitalized	0.00	0.00
Total gain on sale of assets	0.00	0.00

25. Unrealized Gain on Fair Value Investments

Description	2023-2024	2022-2023
	Kshs	Kshs
Investments at Fair Value	0.00	0.00
Total Gain	0.00	0.00

26. Impairment Loss

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Description	2023-2024	2022-2023
	Kshs	Kshs
Property, Plant and Equipment	0.00	0.00
Intangible Assets	0.00	0.00
Total Impairment Loss	0.00	0.00

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27. Taxation

Description	2023-2024	2022-2023
	Kshs	Kshs
Current income tax charge	0.00	0.00
Tax charged on rental income	0.00	0.00
Tax charged on interest income	0.00	0.00
Deferred tax: [note 53]		
Original and reversal of temporary differences	0.00	0.00
Income tax expense reported in the statement of financial performance	0.00	0.00

28. Cash and Cash Equivalents

Description	2023-2024	2022-2023
	Kshs	Kshs
Current Account	409,394.57	6,139,602.00
Savings Account	0.00	0.00
On - Call Deposits	0.00	0.00
Fixed Deposits Account	0.00	0.00
Staff Car Loan/ Mortgage	0.00	0.00
Others(Specify)	0.00	0.00
Total Cash And Cash Equivalents	409,394.57	6,139,602.00

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

		2023-2024	2022-2023
Financial Institution	Account number	Kshs	Kshs
a) Current Account			
National Bank of Kenya		409,394.57	6,139,602.00
Equity Bank, etc.		0.00	0.00
Sub- Total		409,394.57	6,139,602.00
b) On - Call Deposits			(
Kenya Commercial Bank		0.00	0.00
Equity Bank – etc.		0.00	0.00
Sub- Total		0.00	0.00
c) Fixed Deposits Account			
Kenya Commercial Bank		0.00	0.00
Bank B		0.00	0.00
Sub- Total		0.00	0.00
d) Staff Car Loan/ Mortgage			
Kenya Commercial Bank		0.00	0.00
Bank B		0.00	0.00
Sub- Total		0.00	0.00
e) Others(Specify)		0.00	0.00
Cash In Transit		0.00	0.00
Cash In Hand		0.00	0.00
Mobile Money Accounts		0.00	0.00
Sub- Total		0.00	0.00

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		2023-2024	2022-2023
Financial Institution	Account number	Kshs	Kshs
Grand Total		409,394.57	6,139,602.00

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29 Receivables from Exchange Transactions

29(a) Receivables from Exchange Transactions (Current)

	2023-2024	2022-2023
Description	Kshs	Kshs
Receivables		
Service, Water and Electricity Debtors	0.00	0.00
Other Exchange Debtors- AIA Fees	20,556,403.23	31,330,377.00
Total Current Receivables	20,556,403.23	31,330,377.00

29(b) Receivables from Exchange Transactions (Long-term)

Description	2023-2024	2022-2023
	Kshs	Kshs
Total receivables		
Service, water and electricity debtors	0.00	0.00
Other exchange debtors- AIA Fees	7,626,317.00	7,626,317.000
Less: impairment allowance	(0.00)	(0.00)
	0.00	0.00
Current portion transferred to current receivables	(0.00)	(0.00)
Total non-current receivables	7,626,317.00	7,626,317.00
Total receivables (a+b)	28,182,720.23	38,956,694.00

29 (c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Impairment allowance/ provision	2023-2024	2022-2023
	Kshs	Kshs
At the beginning of the year	0.00	0.00
Additional provisions during the year	0.00	0.00

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Recovered during the year	(0.00)	(0.00)
Written off during the year	(0.00)	(0.00)
At the end of the year	0.00	0.00

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Notes to the Financial Statements (Continued)

30 Receivables from Non-Exchange Transactions

Description	2023-2024	2022-2023
	Kshs	Kshs
Property tax debtors	0.00	0.00
Levies, fines, and penalties	0.00	0.00
Licences, fees and permits	0.00	0.00
Other debtors (non-exchange transactions)	50,000.00	40,000.00
Less: impairment allowance	(0.00)	(0.00)
Total current receivables	50,000.00	40,000.00

30 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

Description	2023-2024	2022-2023
	Kshs	Kshs
At the beginning of the year	0.00	0.00
Additional provisions during the year	0.00	0.00
Recovered during the year	(0.00)	(0.00)
Written off during the year	(0.00)	(0.00)
At the end of the year	0.00	0.00

31 Inventories

Description	2023-2024	2022-2023
	Kshs	Kshs
Consumable stores	13,891,555.20	40,291,570.00
Medical supplies	3,174,844.00	1,775,651.00
Spare parts and meters	0.00	0.00

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Water for distribution	0.00	0.00
Other goods held for resale	0.00	0.00
Catering	0.00	0.00
Less: allowance for impairment	(0.00)	(0.00)
Total inventories at the lower of cost and net realizable value	17,066,399.20	42,067,221.00

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Notes to the Financial Statements (Continued)

32 Investments

Description	2023-2024	2022-2023
	Kshs	Kshs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	0.00	0.00
CBK	0.00	0.00
Sub- total	0.00	0.00
b) Investment with Financial Institutions/ Banks		
Bank x	0.00	0.00
Bank y	0.00	0.00
Sub- total	0.00	0.00
c) Equity investments (specify)		
Equity/ shares in Entity xxx	0.00	0.00
Sub- total	0.00	0.00
Grand total	0.00	0.00

d) Movement of Equity Investments

Impairment allowance/ provision	2023-2024	2022-2023
	Kshs	Kshs
At the beginning of the year	0.00	0.00
Purchase of investments in the year	0.00	0.00
Sale of investments during the year	(0.00)	(0.00)
Increase /(decrease) in fair value of investments	0.00	0.00
At the end of the year	0.00	0.00

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e) Shareholding in other entities

For investments in equity share listed under note 32 above, list down the equity investments under the following categories

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%			
				Kshs	Kshs	Kshs
Entity A	000	000	000	0.00	0.00	0.00
Entity B	000	000	000	0.00	0.00	0.00
Entity C	000	000	000	0.00	0.00	0.00
	000	000	000	0.00	0.00	0.00

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33 Property, Plant and Equipment

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets Lab Equipment	Capital Work in progress	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1st July 2023	3,500,000,000.00	0.00	0.00	920,200.00	3,266,684.00	27,934,271.52	0.00	3,532,121,155.00
Revaluation		0.00	0.00	.00	.00		0.00	00
Disposals	(0.00)	(0.00)	(0.00)	-	0.00	(0.00)	(0.00)	0
Transfers/Adjustments	0.00	0.00	(0.00)	0.00	(0.00)	(0.00)	0.00	0
As At 30 th June 2024	3,500,000,000.00	0.00	0.00	920,200.00	3,266,684.00	27,934,271.52	0.00	3,532,121,155.00
Additions	0.00	0.00	0.00	0.00	0.00	2,124,600.00	0.00	2,124,600.00
Disposals	(0.00)	(0.00)	0.00-	-	0.00	(0.00)	(0.00)	(0.00)
Transfer/Adjustments	(0.00)	(0.00)	0.00	0.00	(0.00)	(0.00)	0.00	(0.00)
As At 30 th June 2024	3,500,000,000.00	0.00	0.00	920,200.00	3,266,684.00	30,058,871.52	0.00	3,534,245,755.52
Depreciation And	0.00	0.00	0.00	(92,020.00)	(2,114,612.0)	(13,908,427.73)		(16,115,059.73)

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	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets Lab Equipment	Capital Work in progress	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Impairment					0))		
As At 1st July 2023	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Impairment	0.00	(0.00)	-	-	-	(0.00)	-	(0.00)
Transfers/ Adjustments	0.00	(0.00)	0.00	0.00	(0.00)	(0.00)	0.00	(0.00)
As At 30th June 2024	3,500,000,000.00	0.00	0.00	828,180.00	1,152,072.00	16,150,443.80	0.00	3,518,130,695.80
Depreciation	0.00	(0.00)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	0.00
Disposals	0.00	0.00	-	-	0.00	0.00	0.00	0.00
Impairment	0.00	(0.00)	(0.00)	-	0.00	(0.00)	-	0.00
Transfer/Adjustment	0.00	0.00	(0.00)	(0.00)	0.00	(0.00)	(0.00)	0.00
As At 30th June 2024	3,500,000,000.00	0.00	0.00	828,180.00	1,152,072.00	16,150,443.80	0.00	3,518,130,695.80
Net Book Values								
As At 30th June 2023	3,500,000,000.00	0.00	0.00	920,200.00	3,266,684.00	27,934,271.52	0.00	3,532,121,155.52
As At 30th June 2024	3,500,000,000.00	0.00	0.00	828,180.00	1,152,072.00	16,150,443.80	0.00	3,518,130,695.80

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Valuation

Land and buildings/ Equipment (be specific) were valued in line with the National Assets and Liabilities Management Policy and Guidelines (Issued 30th June 2020). These amounts were adopted on 16/8/2023.

33 (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	Accumulate d Depreciatio n	NEV
	Kshs	Kshs	Kshs
Land	3,500,000,000.00	0.00	3,500,000,000.00
Buildings	0.00	0.00	0.00
Plant And Machinery- Lab Equipment	27,934,271.52	13,908,427.7 3	16,150,443.80
Motor Vehicles, Including Motorcycles	0.00	0.00	0.00
Computers And Related Equipment - Plus LIMs	3,266,684.00	2,114,612.00	1,152,072.00
Office Equipment, Furniture, And Fittings	920,200.00	92,020.00	828,180.00
Total	3,532,121,155.52	16,115,059.7 3	3,518,130,695.80

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	0.00	0.00
Motor Vehicles including Motorcycles	0.00	0.00

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Computers and Related Equipment	0.00	0.00
Office Equipment, Furniture And Fittings	0.00	0.00
Total	0.00	0.00

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34 Intangible Assets

Description	2023-2024	2022-2023
	Kshs	Kshs
Cost		
At beginning of the year	0.00	0.00
Additions	0.00	0.00
At end of the year	0.00	0.00
Additions—internal development	0.00	0.00
At end of the year	0.00	0.00
Amortization and impairment		
At beginning of the year	0.00	0.00
Amortization	0.00	0.00
At end of the year	0.00	0.00
Impairment loss	0.00	0.00
At end of the year	0.00	0.00
NBV	0.00	0.00

35 Investment Property

Description	2023-2024	2022-2023
	Kshs	Kshs
At beginning of the year	0.00	0.00
Additions	0.00	0.00
Disposal during the year	(0.00)	(0.00)
Depreciation	(0.00)	(0.00)
Impairment	(0.00)	(0.00)

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At end of the year	0.00	0.00
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(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance).

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Notes to the Financial Statements (Continued)

36 Trade and Other Payables

Description	2023-2024	2022-2023
	Kshs	Kshs
Trade Payables	0.00	.00
Payments received in advance- Analysis fee	21,507,398.15	33,820,334.45
Employee Payables	0.00	0.00
Third-party payments	0.00	
Other Payables -OAG	0.00	0.00
Total trade and other Payables	21,507,398.15	33,820,334.45

37 Refundable Deposits and Prepayments from Customers

Description	2023-2024	2022-2023
	Kshs	Kshs
Customer deposits	0.00	0.00
Prepayments	0.00	0.00
Other deposits	0.00	0.00
Payments received in advance	0.00	0.00
Total deposits	0.00	0.00

38 Current Provisions

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance b/f	0.00	0.00	0.00	0.00	0.00
Additional provisions	0.00	0.00	0.00	0.00	0.00
Provision utilized	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

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Change due to discount and time value for money	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Transfers from non -current provisions	0.00	0.00	0.00	0.00	0.00
Total provisions year end	0.00	0.00	0.00	0.00	0.00

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Notes to the Financial Statements (Continued)

39 Finance Lease Obligation

Description	2023-2024	2022-2023
	Kshs	Kshs
At the start of the year	0.00	0.00
Discount interest on lease liability	0.00	0.00
Paid during the year	(0.00)	(0.00)
At end of the year	0.00	0.00

Maturity Analysis

Period	Amount
Year 1	0.00
Year 2	0.00
Year 3	0.00
Year 4	0.00
Year 5 And Onwards	0.00
Less: Unearned Interest	(0.00)
	0.00

Analysed as:

Description	Amount
Current	0.00
Non- Current	0.00
Total	0.00

40 Deferred Income

Description	2023-2024	2022-2023
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	Kshs	Kshs
National Government	0.00	0.00
International Funders	0.00	0.0
Public Contributions and Donations	0.00	
Total Deferred Income	0.00	0.00

Notes to the Financial Statements (Continued)

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00
Transfers To Capital Fund	(0.00)	(0.00)	(0.00)	(0.00)
Transfers To Income Statement	(0.00)	(0.00)	(0.00)	(0.00)
Other Transfers - Error	(0.00)	(0.00)	(0.00)	(0.00)
Balance Carried Forward	0.00	0.00	0.00	0.00

41 Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical	Other Benefits	2023-2024	2022-2023

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		benefits			
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0.00	0.00	0.00	0.00	835,253
Non-Current Benefit Obligation	0.00	0.00	0.00	0.00	
Total Employee Benefits Obligation	0.00	0.00	0.00	0.00	835,253

Retirement benefit Asset/ Liability

National Quality Control Laboratory doesn't have a defined benefit scheme since there are no permanent and pensionable employees. The few permanent and pensionable staff at NQCL are deployed from the Ministry of Health, and the rest are on contract basis. The Contracted staff are paid gratuity of 31% of their basic salary at the end of the contract. As at 30th June every employee whose contract had come an end was paid his/ her gratuity.

Notes to the Financial Statements (Continued)

	2023-2024	2022-2023
Discount Rates	0%	0%
Future Salary Increases	0%	0%
Future Pension Increases	0%	0%
Mortality (Pre- Retirement)	0%	0%
Mortality (Post- Retirement)	0%	0%
Withdrawals	0.00	0.00
Ill Health	0.00	0.00
Retirement	N/A	

Recognition of Retirement Benefit Asset/ Liability

- a) Amounts recognized under other gains/ Losses in the statement of Financial Performance:

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	2023-2024	2022-2023
Description	Kshs	Kshs
The return on defined plan assets	0.00	0.00
Actuarial gains/ losses arising from changes in demographic assumptions	0.00	0.00
Actuarial gains/ losses arising from 0020 changes in financial assumptions	0.00	0.00
Actuarial gains and losses arising from experience adjustments	0.00	0.00
Others (specify)	0.00	0.00
Adjustments for restrictions on the defined benefit asset	0.00	0.00
Remeasurement of the net defined benefit liability (asset)	0.00	0.00

Notes to the Financial Statements (Continued)

b) Amounts recognized in the Statement of Financial Position

	2023-2024	2022-2023
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	0.00	0.00
Fair value of plan assets(b)	(0.00)	(0.00)
Funded status(=a-b)	0.00	0.00
Restrictions on asset recognized	0.00	0.00

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Others	0.00	0.00
Net asset or liability arising from defined benefit obligation	0.00	0.00

The Entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Entity's obligation under the scheme is limited to Voluntary contributions legislated from time to time. Other than NSSF NQCL does not maintain a defined contributory plan or a defined benefit plan as it is yet to adopt its scheme of service. This because some staff are posted here from the Ministry of Health while the others are contracted, interns or casuals.

42 Non-Current Provisions

Description	Long service leave	Bonus Provision	Gratuity provisions	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
balance at the beginning of the year	0.00	0.00	0.00	0.00	0.00
additional provisions	0.00	0.00	0.00	0.00	0.00
provision utilised	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
change due to discount and time value for money	0.00	0.00	0.00	0.00	0.00
less: current portion	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
balance at the end of the year	0.00	0.00	0.00	0.00	0.00

(NB: The current portion deducted in this note should tie to line on current portion transferred from non-current provisions under note 38)

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Notes to the Financial Statements (Continued)

43 **Borrowings**

Description	2023-2024	2022-2023
	Kshs	Kshs
a) External borrowings		
Balance at beginning of the year	0.00	0.00
External borrowings during the year	0.00	0.00
Repayments of during the year	(0.00)	(0.00)
Balance at end of the year	0.00	0.00
b) Domestic borrowings		
Balance at beginning of the year	0.00	0.00
Domestic borrowings during the year	0.00	0.00
Repayments during the year	(0.00)	(0.00)
Balance at end of the year	0.00	0.00
Balance at end of the period- domestic and External borrowings c = a+b	0.00	0.00

The analyses of both external and domestic borrowings are as follows:

	2023-2024	2022-2023
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organisation'	0.00	0.00
Sterling Pound Denominated Loan From 'Y Organisation'	0.00	0.00

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Euro Denominated Loan From Z Organisation'	0.00	0.00
Domestic Borrowings		
Kenya Shilling Loan From KCB	0.00	0.00
Kenya Shilling Loan From Barclays Bank	0.00	0.00
Kenya Shilling Loan From Consolidated Bank	0.00	0.00
Total Balance At End Of The Year	0.00	0.00

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Notes to the Financial Statements (Continued)

Description	2023-2024	2022-2023
	Kshs	Kshs
Short Term Borrowings (Current Portion)	0.00	0.00
Long Term Borrowings	0.00	0.00
Total	0.00	0.00

(NB: the total of this statement should tie to note 43 totals. Current portions of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

44 Service Concession Arrangements

Description	2023-2024	2022-2023
	Kshs	Kshs
Fair value of service concession assets recognized under PPE	0.00	0.00
Accumulated depreciation to date	(0.00)	(0.00)
Net carrying amount	<u>0.00</u>	<u>0.00</u>
Service concession liability at beginning of the year	0.00	0.00
Service concession revenue recognized	(0.00)	(0.00)
Service concession liability at end of the year	<u>0.00</u>	<u>0.00</u>

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Notes to the Financial Statements (Continued)

45 Cash Generated from Operations

	2023-2024	2022-2023
	Kshs	Kshs
Surplus for the year before tax	(12,066,557.73)	(8,725,391.03)
Adjusted for:		
Depreciation	16,115,059.73	0.00
Non-cash grants received	0.00	(0.00)
Contributed assets	0.00	(0.00)
Impairment	0.00	0.00
Gains and losses on disposal of assets	0.00	(0.00)
Contribution to provisions	0.00	0.00
Contribution to impairment allowance	0.00	0.00
Finance income	0.00	(0.00)
Finance cost	0.00	0.00
Working capital adjustments		
Decrease in inventory	24,778,541.80	11,449,036.00
Decrease in receivables	18,680,570.77	(11,709,477.00)
Increase in deferred income		0.00
Decrease in Trade payables	(6248,189.85)	(11,505,418.00)
Decrease in payments staff payables	(835,254.00)	(342,912.00)
Net cash flow from operating activities	40,424,170.72	(21,619,759.00)

46 Financial Risk Management

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse

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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 counter party will be unable to pay amounts in full when due. Credit risk arises long over due receivables that are yet to be paid by our debtors.

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2024				
Receivables from exchange transactions	28,182,720.23	20,556,403.23	7,626,317.00	0.00
Receivables from non-exchange transactions			0.00	0.00
Bank balances	409,394.57	409,394.57	0.00	0.00
Total	28,592,114.80	20,965,797.80	7,626,317.00	0.00
As at 30 June 2023				

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Receivables from exchange transactions	38,956,694.05	33,265,252.05	7,626,317.00	0.00
Receivables from non-exchange transactions	40,000.00	40,000.00	0.00	0.00
Bank balances	6,139,602.11	6,139,602.11	0.00	0.00
Total	45,136,296.16	39,444,854.16	7,626,317.00	0.00

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Notes to the Financial Statements (Continued)

Financial Risk Management

Although customers under the fully performing category are paying their debts as they continue trading, some debts are Long overdue. The credit risk associated with these receivables is substantial. However, we have carried out debt circularization and communicated to our debtors to pay the debts. with the support and advice from the board Members, we hopeful that the debts will be paid.

ii) **Liquidity risk management**

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

The table below represents cash flows payable by the Entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2024				
Trade payables	0.000	9,559,900	11,947,498.15	21,507,398.15
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Deferred income	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	9,559,900.00	11,947,498.15	21,507,398.15
As at 30 June 2023				
Trade payables	3,690,670.40		34,576,484.91	38,267,155.31
Current portion of borrowings	0.00	0.00	0.00	0.00

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
Provisions	0.00	0.00	0.00	0.00
Deferred income	0.00	0.00	0.00	0.00
Employee benefit obligation	835,253.54	0.00	0.00	835,253.54
Total	4,525,923.94	0.00	34,576,484.91	39,102,408.85

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Notes to the Financial Statements (Continued)

Financial Risk Management

iii) **Market risk**

The Entity has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the manner in which it manages and measures the risk.

a) **Foreign currency risk**

The *Entity* has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The *Entity* manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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Notes to the Financial Statements (Continued)

Financial Risk Management

Financial Risk Management

The carrying amount of the *Entity's* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

FY 2024

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As At 30 June 2024			
Financial Assets- stock	17,288,679.20	0.00	17,288,679.2
Investments	0.00	0.00	0.00
Cash	409,394.57	0.00	409,394.57
Debtors	20,556,403.23	0.00	20,556,403.23
Total Financial Assets	38,032,197.00	0.00	38,032,197.00
Financial Liabilities			
Trade And Other Payables	21,507,398.15	0.00	21,507,398.15
Borrowings	0.00	0.00	0.00
Total Financial Liabilities	21,507,398.15	0.00	21,507,398.15
Net Foreign Currency Asset/(Liability)		0.00	

Foreign currency sensitivity analysis

NQCL doesn't have any assets or liabilities in foreign currency as at now, and therefore there is minimum risk of losing money on an investment in case of change in exchange rates.

Notes To The Financial Statements (Continued)

Financial Risk Management

As at the end of this financial year the ratio of financial assets to financial liability was 1.8:1. That means that NQCL has ability to meet its obligations. Furthermore NQCL has no borrowings hence there is no defaulting on loan or bonds payments.

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	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
2023			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
2022			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

b) **Interest rate risk**

Management of interest rate risk

Currently NQCL does not have any loan to pay interest, however to manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Fair value of financial assets and liabilities

a) **Financial instruments measured at fair value.**

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

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- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

-

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Entity* considers relevant and observable market prices in its valuations where possible.

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Notes to the Financial Statements (Continued)

Financial Risk Management

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
As At 30 June 20234				
Financial Assets				
Quoted Equity Investments	0.00	0.00	0.00	0.00
Non- Financial Assets				
Investment Property	0.00	0.00	0.00	0.00
Land And Buildings		3,500,000,000.00	0.00	3,500,000,000.00
	0.00	3,500,000,000.00	0.00	3,500,000,000.00
As At 30 June 2023				
Financial Assets				
Quoted Equity Investments	0.00	0.00	0.00	0.00
Non- Financial Assets				
Investment Property	0.00	0.00	0.00	0.00
Land And Buildings		3,500,000,000.00	0.00	3,500,000,000.00
	0.00	3,500,000,000.00	0.00	3,500,000,000.00

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments have been measured at fair value. This is because the carrying amounts were valued at fair value prices.

Notes to the Financial Statements (Continued)

47 Related Party Disclosures

Nature of related party relationships

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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 *Entity*, 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) The Parent Ministry..
- ii) Board of directors.
- iii) Key management

	2023-2024	2022-2023
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to govt agencies	0.00	0.00
Rent income from the government. Agencies	0.00	0.00
Water sales to govt. Agencies	0.00	0.00
Others sales of services to KEMSA & PPB		6,215,100.00
Total		6,215,100.00
B) purchases from related parties		
Purchases of electricity from KPLC	0.00	0.00
Purchase of water from govt service providers	0.00	0.00
Rent expenses paid to govt agencies	0.00	0.00
Training and conference fees paid to govt. Agencies	0.00	0.00

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	2023-2024	2022-2023
	Kshs	Kshs
Others	0.00	0.00
Total	0.00	0.00
b) Grants /transfers from the government		
Grants from national govt	0.00	0.00
Grants from county government	0.00	0.00
Donations in kind	0.00	0.00
Total	0.00	0.00
c) Expense s incurred on behalf of related party		
Payments of salaries and wages for employees	0.0	31,444,501.00
Payments for goods and services for xxx	0.00	29,847,395.00
Total	0.00	61,291,896.00
d) Key management compensation		
Directors' emoluments	0.00	0.00
Compensation to key management	0.00	0.00
Total	0.00	0.00

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National Quality Control Laboratory does not have a subsidiary, a branch or a department.

49 Contingent Assets and Contingent Liabilities**Contingent Assets**

	2023-2024	2022-2023
	Kshs	Kshs
Contingent Assets		
Insurance Reimbursements	0.00	0.00
Assets Arising from Determination Of Court Cases	0.00	0.00
Reimbursable Indemnities and Guarantees	0.00	0.00
Receivables From Other Government Entities	0.00	
Others (Specify)	0.00	0.00
Total	0.00	0.00

(Give details)

Contingent Liabilities

	2023-2024	2022-2023
	Kshs	Kshs
Contingent Liabilities		
Court Case against the Entity	0.00	0.00
Bank Guarantees in Favour of Subsidiary	0.00	0.00
Contingent Liabilities arising from Contracts Including PPPs	0.00	0.00
Others (Specify)	0.00	0.00
Total	0.00	0.00

(Give details)

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Notes to the Financial Statements (Continued)

50 Capital Commitments

Capital Commitments	2023-2024	2022-2023
	Kshs	Kshs
Authorised for	0.00	0.00
Authorised and Contracted for	0.00	0.00
Total	0.00	0.00

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

51 Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. In line with this legal requirement the Entity remitted Kshs 0.00 (FY 2023 Kshs 0.00). Or The Entity did not make any surplus during the year (FY 2024 Nil) and hence no remittance to the Consolidated Fund.

The Surplus Remission has been computed as follows:

	2023-2024	2022-2023
	Kshs	Kshs
Surplus for the period	0.00	0.00
Less: Allowable deductions by NT	(0.00)	(0.00)
90% Computation (Included in Statement of Financial Performance)	0.00	0.00

Surplus Remission Payable

	2023-2024	2022-2023
	Kshs	Kshs

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Payable at the beginning of the year	0.00	0.00
Paid during the year	(0.00)	(0.00)
Payable at end of the year	0.00	0.00

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Notes to the Financial Statements (Continued)

52 Taxation

	2023-2024	2022-2023
	Kshs	Kshs
At beginning of the year - Tax reinstated 30 th June 2023	0.00	406,388
Income tax charge for the year (note 27)	0.00	5,478,807
Under/(over) provision in prior year/s (note 27)	0.00	0.00
Income tax paid during the year	(0.00)	(5,478,807)
At end of the year	0.00	406,388

[Provide short appropriate explanations as necessary]

Notes on TAXATION

	2023-2024	2022-2023
	Kshs	Kshs
Taxation as at 30 th June 2023	0.00	406,388.00
Error	0.000	(406,388.00)
Balance c/f	0.00	0.00

53 Deferred Tax Liability

Accelerated capital allowances	0.00	0.00
Unrealised exchange gains/(losses)	0.00	0.00
Revaluation surplus	0.00	0.00
Tax losses carried forward	(0.00)	(0.00)

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Deferred	Provisions for liabilities and charges	(0.00)	(0.00)
tax is	Net deferred tax liability/(asset)	0.00	0.00
calculated	The movement on the deferred tax account is as follows:		
on all	Balance at beginning of the year	0.00	0.00
temporary	Credit to revaluation reserve	(0.00)	(0.00)
difference	Under provision in prior year	0.00	0.00
s under	Income statement charge/(credit)	0.00	0.00
the	Balance at end of the year	0.00	0.00
liability			
method			

using the
enacted tax

Rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:
(In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes on surplus funds. However, in specific cases where this is applicable an organization is supposed to seek guidance on accounting for income taxes from IAS 12)

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Notes to the Financial Statements (Continued)

54 Events after the Reporting Period

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

55 Ultimate And Holding Entity

National Quality Control Laboratory is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Health. Its ultimate parent is the Government of Kenya.

56 Currency

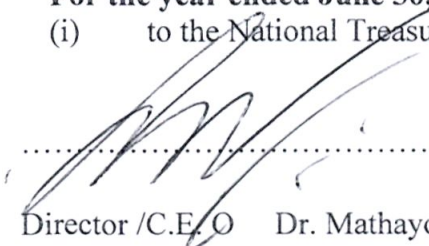
The financial statements are presented in Kenya Shillings (Kshs).

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(i) to the National Treasury.



.....
 Director /C.E.O Dr. Mathayo Kwena

Date: 30th June 2024

Appendix II: Projects implemented by (NQCL)

There is no on going project at NQCL during the financial year **2023-2024**

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds

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Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

NATIONAL QUALITY CONTROL LABORATORY
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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution		Recurrent	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ministry of Planning and Devolution		Development	0.00	0.00	0.00	0.00	0.00	0.00	0.00
USAID		Donor Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ministry of Planning and Devolution		Direct Payment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total			0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATIONAL QUALITY CONTROL LABORATORY
Annual Report and Financial Statements
For the year ended June 30, 2024.

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

Head of Accountants department of beneficiary Entity:

Name Mercy Achumba Sign [Signature] Date 30/6/2024

NATIONAL QUALITY CONTROL LABORATORY
 Annual Report and Financial Statements
 For the year ended June 30, 2024.

Appendix VII: Disaster Expenditure Reporting Template

Date: _____

Entity: _____

Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments