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THE AUDITOR-GENERAL

ON

**KENYA VETERINARY VACCINES
PRODUCTION INSTITUTE**

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

OFFICE OF THE AUDITOR GENERAL
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KENYA VETERINARY VACCINES PRODUCTION INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2021

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

The vision of the Institute is to be an Institution of excellence and the preferred provider of high quality, affordable veterinary vaccines and services contributing to an improved quality of life for all Kenyans. Its mission is to develop safe, efficacious and affordable veterinary vaccines for the improvement of the livestock industry. It further strives to contribute complementary products and services in control of livestock diseases.

(c) Key Management

KEVEVAPI day to day management is under a management team. The management is composed of the Chief Executive of the Institute and Secretary to the Board, two Deputy Directors responsible for Technical services and Finance, Human Resource and Administration departments and Heads of Departments.

(d) Fiduciary Management

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

No.	Designation	Name
1	Chief Executive Officer (CEO)	Dr. Jane Wanjugu Wachira
2	Head of Sales	Dr. Anisia Muriuki
3	Head of Finance	Mr. Peter Macharia Gitau
4	Head of Procurement	Mr. Givinal Ejilo
5	Head of Human Resources and Administration	M/s. Rosaline Muema
6	Head of Production, Kabete	Dr. Jones Mutua
7	Head of Production, Embakasi	M/S Nduta Mwangi
8	Head of Quality Control	Mr. Stephen Gitonga Njeu
9	Head of Research and Development	Dr. Michael Muthamia Kiraithe
10	Head of Engineering	Mr. Benard Kuria
11	Head of Information Communication	Mr. Samuel Mburu
12	Head of Legal	Mr. Walter Nyamwaya

(e) Fiduciary Oversight Arrangements

- Audit and finance committee Activities-This are committees of the board holding meetings on Quarterly basis and help to monitor the activities of the institute.
- Technical Committee- This is a technical committee of the board holding its meetings quarterly and any other time need arises and monitors the production and marketing activities of the institute.
- Full board meetings- These are meetings of the board to give direction and monitor management activities in every quarter of a financial year.
- Ministry of Agriculture, Livestock and Fisheries- Supervises operation of the Institute through the office of the PS and Director of Veterinary Services.

(f) Headquarters

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

(g) KEVEVAPI Contacts

Telephone. No: 020 3540071 Cell 0724651895
E-mail: vaccines@kevevapi.or.ke
Website: www.kevevapi.or.ke

(h) Bankers

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

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

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(i) Independent Auditors

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

(j) Principal Legal Adviser

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

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

2. THE BOARD OF DIRECTORS



Prof. James K. Wabacha
Chairman Board of Directors

Key Qualification:

Ph.D. and a Bachelor of Veterinary Medicine degree from the University of Nairobi, Kenya, and a Master of Science degree from Free University of Brussels.

Date of Birth: - **15th November 1961**

Work Experience:

- 2015 -date- Independent Board Director, KEVEVAPI
- 2009 to-date: Technical Livestock Advisor at African Union Interafrican Bureau for Animal Resources (AU-IBAR) with a leave of absence from University of Nairobi
- A veterinarian by profession with vast experience in research, teaching and public administration and management.
- Previously he has held the position of the Chairman of the Department of Clinical Studies, Faculty of Veterinary Medicine, and University of Nairobi.
- Has served in many committees and Boards at the University of Nairobi.
- James is also a Board member in several secondary schools.
- Has both local and international experience in livestock development having worked in Kenya for many years in livestock development and at African Union Interafrican Bureau for animal Resources (AU-IBAR), a technical office of the African Union Commission in charge of livestock development in Africa for over seven years.
- He has vast knowledge, skills and experience in management and coordination of large livestock development projects and programmes



Prof. Isaac M. Mbeche

Key Qualification

Ph.D., Department of Management Science, Management School, University of Lancaster, Master of Arts from the University of Nairobi (UON), Bachelor of Education (Science) UON Kenya

Date of Birth: -**22nd August, 1952.**

Work Experience:

- Chairman of KEVEVAPI Audit Committee of the Board and an independent Director.
- Feb.2011-Date Deputy Vice-Chancellor (Student Affairs) University of Nairobi
- 2002-Jan.2011 Principal, College of Humanities and Social Sciences, University of Nairobi.
- Chairman and Member of Various Committees within and outside UON


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 <p>Mr. Robert M. Mburu Key Qualification-Egerton University BSC. Agriculture education and Extension</p>	<p>Date of Birth: - 22 July 1965 Work Experience:</p> <ul style="list-style-type: none"> • Chairman of KEVEVAPI Finance and Administration Board Committee and an independent Director • April 2010 to Date Operations Manager - Gicheha farm. • July 2007 to March 2010 Group Manager in charge of several estates managers at Tropical Farm Management. • Mar.2002- Jun. 2007: Operations director in charge of all operations at Robert Flowers. • April 1997- May. 2002: Production Manager at Willam K. Ltd • 1990 to March 1997: Estate Manager at Tropical Farm Management.
 <p>Dr. Lagat Kiprono David Key Qualification: BVM (UON), Diploma in Animal Science (Egerton University)</p>	<p>Date of Birth: 29th December 1959 Work Experience: 2015 – To date Appointed KEVEVAPI Independent board member. 2010 to date – Dean Faculty of Animal health –Baraton College 2009- Sub-County Veterinary Officer (SCVO) 2005-Deputy District Veterinary Officer (DDVO). 2000-Veterinary Officer (VO)</p>
 <p>Mr. Elijah Kabiru Key Qualification: PhD Candidate in Finance, (University of Nairobi), Masters in Finance (Kenyatta University), Bed Economics & Mathematics (Moi University), CPA (K).</p>	<p>Date of Birth: 1974 Work Experience:</p> <ul style="list-style-type: none"> • July 2015: Appointed to KEVEVAPI Board as Alternate to PS Treasury • 2014 to date: Senior Assistant Accountant General-National Treasury. • 2015: Head of Accountant Unit – Ministry of Commerce and Tourism. • 2010: Head office Accountant- Kenya Rural Roads Authority.

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 <p>Prof. Philip Nyaga Key Qualification: American language(Columbia University, PHD & MPVM (University of California, BVM (UON)</p>	<p>Date of Birth: 1948 Work Experience:</p> <ul style="list-style-type: none"> • 2015 to date -appointed an Independent KEVEVAPI board member. • 1989-to Date Professor of Virology • 26 April 1985-Associate Professor • 26th April 1985- Senior Lecturer • 1/02/1976-Lecturer • 21/12/1975- Temporary Lecturer • March –September 1973-Clinician • March-June 1979-Junior Animal Health assistant
 <p>Prof. Lilly Bebora Key Qualification: PHD (veterinary microbiologist, immunologist, specialist in poultry diseases, MSC, BVM</p>	<p>Date of Birth: 18 April 1949 Work Experience:</p> <ul style="list-style-type: none"> • 2015 to date -appointed as an Independent KEVEVAPI board member. • Present-Professor (Veterinary Microbiology and Immunology), UoN • May 2002-May 2013-Associate Professor • 16th 12/88-May 2002- Senior Lecturer • 29/11/79-16/12/88-Lecturer • 29/11/79-Assistant Lecturer
 <p>Dr. Harry Oyas Key Qualification: BVM (UON), MSc (University of London)</p>	<p>Date of Birth:29 September 1959 Work Experience:</p> <ul style="list-style-type: none"> • 2020- Appointed KEVEVAPI Board member (Alternate to PS State Department of Livestock) • 2016-2020- Deputy Director Veterinary Services, Head: Epidemiology and Economics Section, Directorate of Veterinary Services • 2008-2016- Senior Assistant Director of Veterinary Services, deputy head Epidemiology and Economics Section • 2014- Country focal person for Standard Methods and Procedures in Animal Health project • 2004 - 2006 – Project coordinator, Pan African Control for Epizootics Kenya, • 1990 – 1996- District Veterinary Officer, Nyamira District • 1983- 1990- Field Veterinarian, Department of Veterinary Services





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 <p>Dr. David Changwony</p> <p>•Key Qualification: PhD Animal Nutrition (University of Bonn, Germany), MSc Animal Nutrition (University of Sydney, Australia), BSc Animal Production and Diploma Animal Health (Egerton University)</p>	<p>Date of Birth: 24th January, 1957</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • 2019: Appointed to KEVEVAPI Board as Alternate to Director General, KALRO • 2014 to Date: Institute Director, KALRO Sheep, Goats and Camel Research Institute • 2014: Deputy Centre Director, KARI Perkerra • 1999-2014: Research Officer, KARI Lanet /Perkerra • 1990-1999: Technical Officer, KARI Lanet
 <p>M/S Beatrice Karwitha Kiragu</p> <p>Key Qualification: MBA (UON),2015, BED –Mathematics and Business Studies, KCSE B</p>	<p>Date of Birth: 18th August 1981</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • 2018 – To date: Appointed as an independent KEVEVAPI Board. • 2017 to date – Chairperson KEWOA (Kenya Women Agenda) • 2015-date Director Jubbe Logistics &General Suppliers Ltd • Nov 2014-Aug 2015-Tender and Contracts Manager-Coca Cola Bottling Company, Nairobi • Oct.2009-Oct.2014 –Procurement Category Specialist- Coca Cola Bottling Company, Nairobi. • June 2006-Sept 2009 Logistics & Warehouse Supervisor - Coca Cola Bottling Company, Nairobi. • 2005-2006-Stock Controller- Coca Cola Bottling Company, Nairobi • 2000-2004-Assistant Supplies Officer BAT (K) PLC






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

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3. MANAGEMENT TEAM

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

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 <ul style="list-style-type: none"> M/s Andia A. Khaseke MBA-(UoN), BED-Business Studies & Economics, CPAK 	<p>Chief Internal Auditor</p>
 <ul style="list-style-type: none"> Mr. Stephen Gitonga Njeu Pursuing MSc. Infectious Dis, Higher Dip. Applied Biology, Dip. Applied Biology KACE 1P, 1SubKCE DIV I 	<p>Quality Assurance Manager</p>
 <p>Mr. Givinal Ejilo BPSM, TOT</p>	<p>Assistant Director Supply Chain Management Services</p>
 <ul style="list-style-type: none"> Mr. Bernard Kuria B. Philosophy-Mechanical Engineering Technology-Higher Dip. Mechanical Engineering-Plant Option. Dip. Mechanical Engineering-Plant Option. KCSE-C+ 	<p>Engineering Technician II</p>
 <p>M/S Nduta Mwangi MSc. Biotechnology Health and Environment- (UoN) Bsc. Medical Microbiology from JKUAT</p>	<p>Senior Production Officer- Embakasi</p>

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 <p>Dr. Michael Muthamia Kiraithe</p> <p>PhD (University of Freiburg) MSc. Biomedicine BSc. Biomedicine</p>	<p>Research and Development Manager</p>
 <p>Mr. Samwel Mburu</p> <p>BSc. Computer Information System, Cisco Certified Network Associate (CCNA), CCNA-Security, Application Security Specialist (IBM Security Appscan V8.7)</p>	<p>Head of Information Technology</p>
 <p>Mr. Walter Manyibe Nyamwaya</p> <p>LL. B, Post graduate Diploma (KSL), CS II(KASNEB), Advocate of the High Court</p>	<p>KEVEVAPI Secretary</p>

4. CHAIRMAN'S STATEMENT

The State Corporations Act (Cap.446) requires the Board of Management to prepare financial statements for each financial year, which include a statement of financial position showing in detail the assets and liabilities of the Institute, a statement of comprehensive income, and such other statements that the Board may deem necessary. It also requires the Board to ensure the Institute keeps proper books of account and other books and records in relation to the Institute and to all the undertakings, funds, activities, investments and property of the Institute. They are also responsible for safeguarding the assets of the Institute.

The Board of Management accepts responsibility for the annual financial statements which have been prepared using appropriate accounting procedures supported by reasonable and prudent judgments and estimates in conformity within generally accepted accounting practice and in the manner required by the State Corporations Act Cap 446 and National Treasury circulars released from time to time. The Board of Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Institute and of its operating results. The Board of Management further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements as well as adequate systems of internal control.

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

Chairman: Prof. James K. Wabacha

Sign



5. REPORT OF THE CHIEF EXECUTIVE OFFICER

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

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

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

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

The mandate of KEVEVAPI

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

BOARD OF DIRECTORS

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

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

The members include:

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

Committees of the Board

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

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

Current Members of the Board of Directors:

- Prof. James Wabacha - *Chairman Board of Directors*
- Principal Secretary National Treasury; -
- Principal Secretary, State Department of Livestock.
- Director, Kenya Agricultural Research Institute – K.A.L.R.O;
- Prof. Isaac M. Mbeche-Board Director
- Mr. Robert M. Mburu - Board Director
- Dr. Kiprono Lagat David - Board Director
- Prof. Philip Nyaga - Board Director
- Prof. Lily Bebora - Board Director

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- M/S Beatrice Karwitha- Board Director
- Dr. Jane W. Wachira—CEO, KEVEVAPI

VACCINES PRODUCED BY KEVEVAPI:

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

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

CONSTRAINTS OF VACCINES PRODUCTION.

i. Poor State of Plant and Equipment

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

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

Chief Executive Officer Dr. Jane W. Wachira

Sign *JL*

Date 27/05/2022

6. REVIEW OF KEVEVAPI PERFORMANCE FOR FY 2020/2021

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

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Veterinary Vaccines Production and Marketing	1) To enhance availability of animal vaccines and information on animal vaccines	Doses of vaccines produced Vaccines brochures distributed to stakeholders	<ul style="list-style-type: none"> -Increase Vaccine doses produced annually -Introduce new vaccines -Increase partnerships with reputable laboratories on franchising for vaccines - Upgrade plant and equipment - Improve energy management - Widen the scope of marketing - Install biometric access controls -Maintain and improve ISO 9001:2015 -Comply with Good - Manufacturing Practices (GMP) -Work towards achieving ISO 17025 Accreditation 	<p>KEVEVAPI was able to produce 43.6 dose of vaccines against a target of 53.6 doses. This fell short because of the outbreak of Covid 19 pandemic which affected countries like China and Germany where the institute import reagents.</p> <p>Upgrading of infrastructure including tapping of solar energy</p> <p>The institute partnered with MCI morocco to make available Enterotoxaemia, pasteurilla and Rift valley fever vaccines in Kenya.</p> <p>The Institute maintained continuous improvement in ISO 9001:2015 and worked towards good manufacturing</p>

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				practices and ISO 17025 accreditation.
	2) To enhance market access and products utilization	vaccines sale Farmers engaged	Increased sales Participate in Farmers forums	Sales were Kshs. 365 million against a target of Kshs 488 million due to Covid 19 effects This activity was hindered because of Covid 19 social distancing requirement.
Research and Innovation	1) Upscale research in vaccines	-No. of qualified staff under research -Collaboration with other institutions and labs	Employ Chief Research Officer (CRO) Vaccine failure investigation Engage other organizations	CRD employed Held forums to educate farmers and stakeholders on handling of vaccines. The forums included ASK shows and Farmers field days. Collaborated with MCI Morocco and KALRO
Institutional Capacity	1) To strengthen Governance and Corporate Affairs	good corporate governance Improved institute visibility Minimized risks	Training Board of management on Governance, Finance and procurements Improving Institute Website Identifying Areas of Risks and minimization	Board trained on Governance, Finance and procurements Improve Institute Website Departments identified risks and sensitization of staff
	2) To Strengthen Human Resource Capacity	optimal human resource levels No of staff trained	Recruitment Training	Chief Human Resources and Senior Procurement Officer recruited

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		<p>Improve work environment and staff welfare</p> <p>Mainstream cross cutting issues</p>	<p>Conduct cross cutting sensitization</p> <p>Motivate staff</p>	<p>Staff trained on professional courses and senior management courses.</p> <p>Development of reward policy, medical insurance in place</p>
	3) To strengthen financial sustainability of the Institute	<p>Enhance resource mobilization</p> <p>Manage resources prudently</p>	<p>Participate in resource bidding at the sector level</p> <p>Effect cost cutting measures</p>	<p>KEVEVAPI given a development grant of Kshs 150 million</p> <p>Reduced costs as evidenced in the financial statements</p>
	4) To leverage ICT in all operations	<p>Automate KEVEVAPI's operations</p> <p>Enhance security of information systems</p>	<p>ERP Implementation</p>	<p>Installed local area network to support ERP system which is under implementation</p>

7. CORPORATE GOVERNANCE STATEMENT

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

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

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

During the Financial year 2020/21 the Board held 4 Full Board meetings, 12 Board Committee meetings (one per quarter for each of the three Board Committees) and 5 Special Full Board meetings to handle urgent matters. All the meetings were attended by the requisite quorum. Besides the meetings, the Board held 2 Board retreats to deliberate on the Institute's 2018-22 Strategic Plan and a board training session lasting 3 days. The Board also appointed various subcommittees to attend to disciplinary cases touching on senior staff and to handle staff unrest and conduct negotiations with the Union representing unionsable staff in the Institute.

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

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

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

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The Institute inducts all new Board members prior to the Board members embark on discharging their functions. The institute also ensures that all Board members are taken through the induction on the Code of Governance for State Corporations by State Corporations Advisory Committee (SCAC). In FY 2018/19, the Institute conducted its Board induction for the new Board members between 15th January, 2019 and 17th January, 2019. Thereafter the new Board members attended the a SCAC organized Board induction in Naivasha in February 2019.

The Institute's Board Member Performance is evaluated annually by the Staff Advisory Committee in line with the Code of Governance for State Corporations (Mwongozo). For the FY 2020/21 the Board was evaluated on 11th August 2021. The Total Board score was 96.0%.

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

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

The institute's value base is described in KEVEVAPI's code of conduct, and the guidelines for ethics and corporate responsibility have been designed on the basis of the code. KEVEVAPI adheres to the State's principles for sound corporate governance as described in the State Corporation act cap 446, The Constitution of Kenya 2010 and The Code of Governance for State Corporations (Mwongozo), and is subject to the reporting requirements relating to corporate governance pursuant to Public Finance Management Act. The Board developed and adopted the Code of Conduct and Ethics that is currently in use in January 2018. The code aims at guiding board directors in order to help them carry out their roles with integrity and compliance with the law. The members have all signed the code and are all bound by it. Unfortunately, however, the Institute has not carried out a governance audit in the recent past due to lack of accredited governance auditors from the State Corporations Advisory Committee. The institute is however pursuing independent governance auditors to undertake a governance audit during the 2019/20 financial year as per the Board work plan.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

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

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

The 2009 population and housing census revealed that Kenya has a massive livestock resource comprising of 3.4 million exotic cattle, 14.1 million indigenous cattle, 17.1 million sheep, 27.7 million goats, 2.9 million camels 25.8 indigenous chicken and 6.1 million exotic chickens. This is an important resource that if tapped could create more wealth and employment in the country thereby contributing significantly to poverty reduction.

The Kenya Veterinary Vaccine Production Institute (KEVEVAPI) is mandated to protect this important resource. As the country gears up towards the realization of the goals of the Kenya Vision 2030, many challenges are bound to arise, key among them being the outbreak of livestock diseases. Kenya Veterinary Vaccines Production Institute (KEVEVAPI) was established by Government of Kenya as a parastatals Institution on 5th March 1990 by Legal Notice No.223 under Cap 446 of the Laws of Kenya. The Institute operates under the auspices of the Ministry of Agriculture, Livestock and Fisheries.

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

In order to meet emerging demands, the institute has embarked on production of three new products. These are an oil based Foot and Mouth disease vaccine, a thermos stable Newcastle disease vaccine and PestePetits des Ruminants (PPR) vaccine. Other approaches include signing of Memoranda of Understanding with relevant sister institutions. This has a two-pronged expectation: for technology exchanges and dual access to each other's products. Production of major vaccines has increased steadily over time due to increased demand by the County Governments and access to new markets particularly in Uganda, Rwanda, Burundi, UAE and Northern Sudan. Significant production increases have been for foot and mouth disease, contagious caprinepleuropneumonia, fowl typhoid and Newcastle disease.

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**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
SECTION A**

The institute performance in terms of profitability for the year was poor because of increased sales to External market and County Government and austerity measures by management to cut on costs.

The institute performance is as per the following indicators:

	RATIOS	Budget 2020/21	2020/21	2019/20
i.	Gross Profit Margin	33.74%	8.29%	24.54%
ii.	Net Profit Margin	6.48%	(20.89%)	8.51%
iii.	Current Asset Ratio	10.63:1	12.31:1	9.85:1
iv.	Assets Turnover	17.36%	15.77%	16.38%
v.	Return on Assets	1.12%	(3.30%)	1.39%

Explanations On Ratios

i. Gross Profit Margin-

Gross profit margin is gross income (revenue less cost of goods sold) divided by net revenue. The ratio reflects pricing decisions and product costs. In this case our score is low as compared to the budget and last year because the county governments who are our main customers did not purchase the expected volumes in the FY.

ii. Net Profit Margin-

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

iii. Current Asset Ratio-

The current ratio measures a company's current assets against its current liabilities. The current ratio indicates whether a company can pay off its short-term liabilities in an emergency by liquidating its current assets. The ideal is 1:1 and therefore 12:31 is good for the institute.

iv. Assets Turnover:

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

v. Return on Assets

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

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
SECTION B**

Entity's compliance with statutory requirements

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

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

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

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

SECTION C

Key projects and investment decisions the entity is planning/implementing

(a) Poor State of Plant and Equipment

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant require Kshs 5.6 Billion. For the current phase, Kshs 1.750 Billion was required. For the budget period, we had requested for Kshs. 90 Million to enable the institute attain GMP/ISO standards which will enable the institute access outside market. The Ministry allocated Kshs 45 Million which was received and fully committed. We also ploughed back Kshs. 71,141,489 from accumulated surplus making a total of Kshs. 116,141,489 which was invested ny Internally generated income to supplement the GOK grants available. We sincerely hope that the government will consider availing more grants in the 2021/22 financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION D

Major Risks/Assumptions facing the entity

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

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

SECTION E

Material arrears in statutory/financial obligations

Though we expected to generate Pre-tax profits of Kshs. 31.6 million in the financial year 2019/2020, the institute fell short of this target and made Kshs. 0.69 million profits because the Country governments who are our main clients did not purchase the expected volumes. We intend to plough back this profit because the current requirement for access to international markets is Good Manufacturing Practices (GMP) certification. The institute has come up with a five-year plan to revamp KEVEVAPI and transform it into a modern bio-secure institution for production of high-quality vaccines for both domestic and international markets in order to meet the Good Manufacturing Practices (GMP) requirements. The phased project cost will be approximately, Kshs. 1.75 billion, spread over 5 years. We sincerely hope that the government will approve the required grant to enable the institute upgrade to attain GMP standards thereby accessing international markets and avoiding over-reliance on local market.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

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

For the Financial Year 2019/20, KEVEVAPI sponsored several Kenya Veterinary Association field days where Dairy farmers and professionals were sensitized on how to improve the health of livestock thus sustain farmer's livelihood. Further, KEVEVAPI used Kshs 525,000 in procuring tree seedlings to be given to citizens in the big four agenda.

10. REPORT OF THE DIRECTORS

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

Principal activities

The principal activities of the entity continue to be preferred provider of high quality, affordable veterinary vaccines and services contributing to an improved quality of life for all Kenyans

Results

The results of the entity for the year ended June 30, 2021 are set out on page 1-5.

Directors

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

Dividends

KEVEVAPI made a Loss of Kshs. 78.382 million during the FY 2020/21. In the previous years any profits made was ploughed back for Capital investment which will enable the institute access international markets for vaccines. To access this market, Good Manufacturing Practices (GMP) certification is a requirement. The institute has been pursuing this through a five-year plan as a project. The project requires heavy investment in infrastructure development and the Institute intends to plough back the profits generated towards the project as per its dividend policy. This will enable the government, the only shareholder to earn capital gain rather than dividend payout

Auditors

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

By Order of the Board

Chief Executive Officer: Dr. Jane W. Wachira

Sign *J.W.*

Date 27/05/2022

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

Approval of the financial statements

The institute's financial statements were approved by the Board on 23 July, 2021 and signed on its behalf

by:



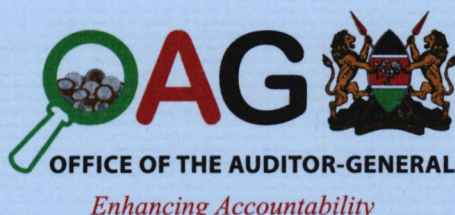
**Prof. James K. Wabacha
Chairman of the Board:**



**Dr. Jane W. Wachira
Chief Executive Officer**

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REPORT OF THE AUDITOR-GENERAL ON KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Kenya Veterinary Vaccines Production Institute set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Veterinary Vaccines Production Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance and Management Act, 2012 and the State Corporations Act.

Basis for Qualified Opinion

1.0 Property Plant and Equipment

The statement of financial position reflects a net balance of Kshs.605,893,000 in respect of property, plant and equipment as disclosed under Note 20 to the financial statements. However, the following anomalies were noted:

1.1 Irregular Allocation of Land

As previously reported, review of records revealed that the Government allocated the Institute 93.02 hectares of land on which the Institute's Headquarters is located. In December, 1994, the Institute's Management applied to the Commissioner of Lands for consent to sub-divide the land into nine (9) separate parcels, which were subsequently disposed of to private developers, without the approval of The National Treasury and the parent Ministry. This was done contrary to Section 13(c) of the State Corporations Act.

Review of the position indicated that the irregularly disposed parcels had not been recovered as at 30 June, 2021.

1.2 Land Without Ownership Documents

As previously reported, in 1990, the parent Ministry allowed the Institute to use a piece of land measuring approximately 151.2 hectares, situated in Limuru. At the time of allocation, the Management of the Institute was under the Kenya Agricultural Research Institute (KARI). Consequently, the title deed for the land was processed and issued in the name of KARI. The Institute was subsequently separated from KARI and became a legally independent organization. Although the Institute has continued to use the land as initially allocated, the title deed remains in the name of KARI. Further, the land has been encroached by third parties claiming ownership resulting to civil suits in court awaiting determination.

1.3 Failure to Transfer Ownership of Motor Vehicles

The property, plant and equipment balance of Kshs.605,893,000 includes motor vehicles with a net book value of Kshs.2,730,000. However, five (5) of the motor vehicles are registered in the name of the defunct Kenya Agriculture Research Institute (KARI) yet they are in the custody and control of the Institute. No reason was given for failure to have the vehicles transferred to the name of the Institute.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment with a net balance of Kshs.605,893,000 could not be confirmed.

2.0 Inaccuracies in Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.30,615,000. As disclosed in Note 21 to the financial statements, included in the payables is an amount of Kshs.13,180,000 which relates to land rates that have remained unpaid dating back to the year 1998 and continue to attract interest and penalties. Further, the amount of interest and penalties payable have not been determined and included in the trade and other payables balance. In addition, part of the accrued rates are attributed to pieces of land whose ownership is in dispute and the matter in court.

Consequently, the accuracy and completeness of trade and other payables balance of Kshs.30,615,000 could not be confirmed.

3.0 Long Outstanding Receivables

The statement of financial position reflects a net receivables balance of Kshs.251,949,000. As disclosed in Note 17 to the financial statements, included in the gross receivables of Kshs.254,457,000 is an amount of Kshs.132,275,057 that was outstanding for more than one year out of which Kshs.130,451,802 had been due for more than five years. Although Management made a provision of Kshs.2,508,775 against the long outstanding debts, this appears inadequate and the debts' recoverability is doubtful.

In the circumstances, the recoverability of the receivables balance of Kshs.132,275,057 could not be confirmed.

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

Emphasis of Matter

Land Under Legal Disputes

I wish to draw attention to Note 20 to the financial statements, which indicates that, included in the value of land of Kshs.343,000,000 under property, plant and equipment are various parcels of land with six civil cases in court on claims of encroachment. Four of the cases relate to the Institute's land at Embakasi which include HCCC ELC No.454 and 455 both of 2009 and HCCC ELC No.1066 of 2016 involving land measuring 1.87, 2.023 and 0.4047 hectares, respectively. The fourth case ELC No. 939 of 2014 involves part of the 29 hectares Embakasi land to which the Institute has title. The two other cases namely ELC No. 175 of 2010 and JR ELC MISC APP No. 28 of 2010 relate to the Institute's Limuru land.

No provision has been made in the financial statements regarding this material uncertainty despite the fact that the cases have not been determined and concluded.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Delay in Implementation of Enterprise Resource Planning (ERP)

As previously reported, the Management procured an Enterprise Resource Planning (ERP) system at a contract sum of Kshs.9,587,977 for a contract period of twelve (12) weeks. The agreement was signed on 14 December, 2016 and the commencement date of the contract was to be 5 January, 2017. There was an additional post go-live support on the site by the service provider that was to take a month. It was further observed that before procuring the ERP system, the organization engaged a consultancy firm to assist in the technical process of procuring the ERP system at a contract sum of Kshs.900,000 for a period of thirty (30) days.

Review of the progress revealed that payments amounting to Kshs.5,703,000 or 60% had been made to the vendor. However, the ERP was still not in use and it was not clear why there was a delay in the roll-out of the ERP system.

In the circumstances, the Institute has not obtained value for money for the procurement of the software.

2.0 Disputed Valuation of Assets

As previously reported, Management procured valuation services for the Institute's assets through an open tender during the 2018/2019 financial year. A contract for a sum of Kshs.4,000,000, exclusive of VAT, was signed on 19 October, 2018 for a contract period of one hundred and twenty (120) days ending on 31 December, 2018. The contractor was paid 30%, 40% and 30% of the contract sum upon signing the contract, submission of preliminary report and submission of final report, respectively.

The final assets valuation report was presented on 11 March, 2020 reflecting a total assets' revalued sum of Kshs.12,775,074,810, an amount which the Institute disputed for arithmetic inaccuracy.

In the circumstances, the Institute did not obtain value for money for the cost incurred on valuation and the assets.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 July, 2022

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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**13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2021**

		2020/21	2019/2020
	Notes	Kshs'000	Kshs'000
Revenue from exchange transactions			
Sale of Vaccines	5	375,169	402,829
Cost of Goods Sold	6	344,053	303,970
Gross Surplus		31,116	98,859
Finance income –Bank Interest earned	7	22,819	24,986
Other income-Sundry income	8	898	2,867
Total		54,833	126,712
Administrative Expenses			
Employee costs	9	71,388	64,060
Depreciation and amortization expense	10	5,534	4,750
Repairs and maintenance	11	525	264
Board Expenses	12	11,208	9,514
General expenses	13	44,623	34,886
Provision for bad & Doubtful Debts	14	1,184	(184)
Total Expenses		134,462	113,290
Gain/Loss on foreign transactions	15	1,247	20,873
Surplus before tax		(78,382)	34,295
Taxation		-	-
Surplus for the period		(78,382)	34,295

The notes set out on pages 6 to 25 form an integral part of the Financial Statements.
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

Chief Executive Officer

Name: Dr. Jane W. Wachira

Sign *JL*

Date *27/05/2022*

Head of Finance

Name: Peter M. Gitau

ICPAK Member Number:15878

Date *27/05/2022*

Chairman of the Board

Name: Prof. James K. Wabacha

Sign *J. Wabacha*

Date *27/05/2022*

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020/21	2019-2020
		Kshs'000	Kshs'000
Assets			
Current assets			
Cash and cash equivalents	16	939,969	1,237,431
Receivables	17	251,949	133,361
Inventories	18	573,700	520,643
Prepayment	19	6,015	2,878
		1,771,633	1,894,313
Non-current assets			
Property, plant and equipment	20	605,893	565,023
Total assets		<u>2,377,526</u>	<u>2,459,336</u>
Liabilities			
Current liabilities			
Trade and other payables	21	30,615	26,903
Payments received in advance	22	113,295	165,435
Total liabilities		143,910	192,338
Capital and Reserves			
Capital fund	23	367,249	367,249
Capital grant	24	1,146,274	1,101,274
Revaluation reserve	25	272,829	272,829
Accumulated surplus	26	447,264	525,646
Shareholders' funds		<u>2,233,616</u>	<u>2,266,998</u>
Total net assets and liabilities		<u>2,377,526</u>	<u>2,459,336</u>

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

Chief Executive Officer

Name: Dr. Jane W. Wachira

Sign.....*JW*.....

Date..27/05/2022

Head of Finance

Name: Peter M. Gitau

ICPAK Member Number:15878

Date..27/05/2022

Chairman of the Board

Name: Prof. James K. Wabacha

Sign.....*JKW*.....

Date..27/05/2022

15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Capital Fund	Capital Grant	Revaluation Reserve	Accumulated Surplus	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at July 1, 2018	367,249	773,274	272,829	581,692	1,995,044
Surplus for the period	-	-	-	151,641	151,641
Additional GOK Grant	-	178,000	-	-	178,000
Balance as at 30 June 2019	367,249	951,274	272,829	733,333	2,324,685
Prior year adjust. -Cost of production				(44,858)	(44,858)
Prior Year Adjustments-WIP				2,876	2876
Surplus for the period	-	-	-	34,295	34,295
Surplus to the Treasury				(200,000)	(200,000)
Additional GOK Grant	-	150,000	-	-	150,000
Balance as at 30 June 2020	367,249	1,101,274	272,829	525,646	2,266,998
Surplus/Deficit for the period	-	-	-	(78,382)	(78,382)
Surplus to the Treasury					
Additional GOK Grant	-	45,000	-		45,000
Balance as at 30 June 2021	367,249	1,146,274	272,829	447,264	2,233,616

See note 4(i)

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

	Note	2020/21 Kshs'000	2019/2020 Kshs'000
Cash flows from operating activities			
Profit for the period		(78,382)	34,295
Add Depreciation	20	75,273	65,846
Prior Year Reserves	4(o)	-	(41,982)
Operating Profit		(3,109)	58,159
Working Capital Changes			
Increase in stocks	18	(53,058)	(34,355)
Decrease/Increase in Receivables	17	(118,588)	17,777
Increase/Decrease in Payables	21	(48,428)	61,250
Increase/decrease in prepayment	19	(3,138)	6,743
Net cash outflow from operating activities		(226,321)	109,574
Financing Activities			
GOK Capital Grant	24.b	45,000	150,000
Surplus to National Treasury	27	-	(200,000)
Investing Activities			
Purchase of Fixed Assets and net cash used in			
Investing activities	20	(116,141)	(44,121)
Net Decrease In Cash & Cash Equivalentents		(297,462)	15,453
Cash and Cash Equivalentents At 1 JULY,2020	16	1,237,431	1,221,978
Cash and cash equivalentents at 30 JUNE,2021	16	939,969	1,237,431

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

	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	Performance Difference	% Of utilization
	Kshs'000	Kshs'000	Kshs '000	Kshs '000	Kshs '000	%
Revenue	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Government grants	90,000	(45,000)	45,000	45,000	-	100
Reserves	100,000	0	100,000	71,141	-28,859	71
Sale of vaccines	488,400	-	488,400	375,169	(113,231)	77
Other Income	24,000	0	24,000	23,717	(283)	99
Gain on foreign Exchange	5,500	0	5,500	1,247	(4,253)	23
Total income	707,900	-45,000	662,900	516,274	-146,626	77
Expenses						
Compensation of employees	74,871	-	74,871	71,388	3,483	95
Goods and services	323,636	0	323,636	344,053	(20,417)	106
Provision for Bad Debts				1,184	(1,184)	
Depreciation	6,500	0	6,500	5,534	966	85
Repair and Maintenance	2,500	-	2,500	525	1,971	21
Board Expenses	15,729		15,729	11,208	4,521	71
General Expenses	63,800		63,800	44,623	18,930	70
Capital Expenditure	190,000	(45,000)	145,000	116,141	28,859	80
Total expenditure	677,036	-45,000	632,036	594,656	37,380	94
Surplus for the period	30,864	0	30,864	-78,382	-109,246	

Budget notes

1. Government grant-The institute had expected a government grant of Kshs 45,000 million which it received.
2. Sale of vaccines- This is market driven therefore if there is less demand from our customers, we experienced less sales. This was majorly caused by the Covid 19 pandemic.
3. Other Income – The institute earned interest of Kshs 22.648 million bank interest from a call account it had opened and placed amounts received in advance from clients.
4. Foreign Exchange Gain/Loss – The dollar was strong compared to Kenya shilling therefore the rise in foreign exchange gain. (The rate of change of \$.1 to Kenya shilling was 106.52 30/06/2020 compared to 107.85 on 30/06/2021.
5. Employees Costs- The institute expected to recruit additional technical & administration staffs on permanent basis but this did not happen within the year. We expect this to happen in the FY 2021/2022.
6. Goods and Services - This was high as a result of increased costs of imported production inputs as a result of COVID 19 restrictions on travel.
7. Provision for Bad Debts – The Institute provision for bad debts is 1%. The extra provision was Kshs1,184.
8. Repair and maintenance – The installation of new equipment and machines has reduced the cost of repairs and maintenance.
9. Board Expenses – This was less because of the Covid 19 pandemic which restricted social gathering as a way of curbing it.
10. General Administrative Expenses -This was less because of the cost cutting measures the institute had put in place besides the reduced activity as a result of Covid 19 restrictions.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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11. Capital expenditure -The Institute spend less on equipment and machinery due to the nature of the specialized equipment and most of them have to be imported or customized and manufactured specifically for the institute.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of compliance and basis of preparation

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

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

3. Adoption of New and Revised Standards-

The institute did not early adopt any new or amended standards in year 2020/21.

4. Summary of significant accounting policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Rendering of services

The entity 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.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS (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 entity.

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity'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 2020-2021 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Property, plant and equipment

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

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

d) Financial instruments

Financial assets

Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current.

Such assets are carried at amortized cost using the effective interest method. Changes in the carrying amount are recognized in the profit or loss.

Impairment of financial assets

The institute assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or 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:

- The debtors or entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

- ***Financial liabilities***

Initial recognition and measurement

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

e) 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 condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor 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.8244

f) Provisions

Provisions are recognized when the institute 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Where the institute 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.

Contingent liabilities

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

g) Nature and purpose of reserves

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

- i) Capital Fund-This is the initial capital the government used to set up the institute.
- ii) Capital grants- This is accumulated government development grant given to the institute yearly.
- iii) Accumulated Profits- This figure denotes the institute profits since inception
- iv) Revaluation Surplus-This denotes amount arising from the revaluation of institute assets.

h) Changes in accounting policies and estimates

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

i) Employee benefits

Retirement benefit plans

The institute 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.

j) 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

k) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. The institute's related parties include The National Government, The parent Ministry of Agriculture, Livestock and Fisheries, County Government, Board of Directors and Key Management.

l) 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 various commercial banks at the end of the financial year.

m) Comparative Figures

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

n) Significant Judgments and Sources of Estimation Uncertainty

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

Critical Accounting Judgments in Applying the Entity's Accounting Policies

Impairment losses on trade and other receivables

The institute reviews its trade and other receivables to assess impairment regularly. In determining whether an impairment loss should be recognized through profit or loss, the institute makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables, before a decrease can be identified. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers or local economic conditions that correlate with defaults on assets in the institute. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Institute 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 Institute. Such changes are reflected in the assumptions when they occur.

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 Institute 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 Institute. Such changes are reflected in the assumptions when they occur.

- **Key sources of estimation uncertainty**

Impairment of assets

At the end of each reporting period, the institute reviews the carrying amount of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any).

Plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

Depreciation on fixed assets is provided on a straight-line basis and is calculated on cost or valuation at the following rates which are consistent with prior years: -

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Land	nil
Buildings	2%
Laboratory Equipment	12.5%
Plant and Machinery	12.5%
Furniture and Fittings	12.5%
Motor Vehicles	25.0%

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

Fair value estimation – financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

o) Subsequent events

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

5. Sales of vaccines (Exchange Revenue)

Description	2020-2021			2019-2020		
	US \$ '000	Ksh '000	Total Kshs' '000	US \$'000	Kshs'000	Total Kshs' '000
Sales on Account	1,394.536	185,565		1,166.99	223,581	
Cash Sales	54.55	31,468		42.4	53,111	
Sub Total	1,449.086	217,033		1,209.39	276,692	
Conversion Rates	Various	-		Various	-	
Total Kes	158,136	217,033	<u>375,169</u>	126,137	276,692	<u>402,829</u>

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Cost of Sales

Description	2020/21	2019-2020
	Ksh'000	Ksh'000
Production Materials	32,117	26,760
Direct Labour	78,562	74,740
Other Staff Benefits	16,913	16,849
General Expenses attributable to production	97,550	126,764
Power, water, Fuel & Gases attributable to production	24,790	20,170
Maintenance, Repairs & Security attributable to Production	24,384	22,449
Depreciation attributable to production	69,737	61,096
Total production and Manufacturing Expenses	344,053	348,828
Prior Year Adjustments	-	(44,858)
Total Cost of goods Sold	344,053	<u>303,970</u>

7. Finance Income

Description	2020/21	2019-2020
	Ksh'000	Ksh'000
Interest earned from KCB MOI AVENUE Call Account	22,799	24,986
Interest earned from KCB Kes account (1107172764)	0	0
Interest earned from KCB KICC Kes Account (1109016492)	20	0
Interest earned from KCB KICC USD Account(1102301108)	0	0
Total	<u>22,819</u>	<u>24,986</u>

8. Other Income

Description	2020/21	2019-2020
	Ksh'000	Ksh'000
Limuru Farm	240	1,548
sundry income	658	1,319
Total	<u>898</u>	<u>2,867</u>

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Employee Costs

Description	2020/21	2019-2020
	Ksh'000	Ksh'000
Salaries	34,760	33,995
Pensions & NSSF	5,608	5,513
Medical	21,036	17,324
Commuter Allowance	2,722	2,785
Leave Travelling Allowance	2,117	2,479
Training	5,095	1,964
Recruitment	50	-
Grand Total Employee Costs	<u>71,388</u>	<u>64,060</u>

10. Depreciation

Description	2020/21	2019-2020
	Ksh'000	Ksh'000
Motor Vehicles	-	-
Office Equipment	3,738	2,954
Furniture & Fittings	1,796	1,796
Total	<u>5,534</u>	<u>4,750</u>

11. Repairs and Maintenance

Description	2020/21	2019-2020
	Ksh'000	Ksh'000
Office equipment	525	246
Furniture	-	18
Total	<u>525</u>	<u>264</u>

12. Board Expenses

Description	2020/21	2019-2020
	Ksh'000	Ksh'000
Sitting and subsistence allowances	11,208	9,514
Total	<u>11,208</u>	<u>9,514</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. General Administration Expenses

Description	2020/21	2019-2020
	Ksh'000	Ksh'000
Sales and marketing	9,024	6,416
Printing & stationery	1,199	3,832
Audit fees	580	580
Other professional charges	9,454	8,644
Subscriptions	1,283	3,416
Donations	-	525
Covid 19 Response	1,568	-
Bank charges	302	550
Withholding tax	7,266	-
Sundry Office Expenses	3,539	3,752
Staff welfare	40	187
Telecommunication	5,606	3,089
Local travel	3,188	2,556
Overseas travel	680	720
Motor vehicles	894	619
Grand Total	<u>44,623</u>	<u>34,886</u>

14. Provision for Bad Debts

Description	2020/21	2019-2020
	Ksh'000	Ksh'000
Trading debtors as at year end	250,878	132,540
Impairment at 1%	2,509	1,325
Provision as at 30/6/2020	1,325	1,509
Savings/Increase in provision	<u>1,184</u>	<u>-184</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Gain on Foreign Exchange Transactions

Description	2020/21	2019-2020
	Ksh '000	Ksh'000
On sales to MTK Uganda	-	634
On sales to Uganda government	-	22
On sales to Doctors Co.	(151)	234
On sales to Agrotech Rwanda	-	-
On sales to Other clients	(56)	1,311
On Dollars converted within the year	(1,567)	
On Cash held in the Bank	3,021	18,672
Totals	<u>1,247</u>	<u>20,873</u>

16. Cash and Cash Equivalents

Description	2020/21	2019-2020
	Kshs 000	Kshs 000
Bank	380,214	891,467
Cash-on-hand and in transit	14.2	243
Call on deposit (KCB Bank)	559,741	345,721
Total cash and cash equivalents	<u>939,969</u>	<u>1,237,431</u>

NB: Bank Figure Breakdown

<i>Mpesa Balance</i>	200	273,861
<i>KCB Account No. 1109016492 Kshs</i>	1,303,959.51	1,156,156.11
<i>KCB Account No 1102301108 Kshs. (Foreign Exchange Account for inputs purchase)</i>	291,614,766.22	611,899,843.56
<i>KCB Account No.1107172764 Kshs</i>	87,295,173.13	278,136,788.88
<i>Grand Total</i>	<u>380,214,098.86</u>	<u>891,466,649.55</u>

17. Receivables

Description	2020/21	2019-2020
Current Receivables (Exchange Transactions)	Kshs 000	Kshs 000
Ministry of Livestock	105	105
MTK Uganda	59,091	59,091
Ministry of Agriculture Rwanda	26,029	26,029
Ministry of Agriculture Uganda	119,685	
Others	45,968	47,315
Sub-Total current receivables	<u>250,878</u>	<u>132,540</u>

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NOTES TO THE FINANCIAL STATEMENTS(Continued)		
Receivables from non – exchange contracts		
Staff advances and Imprest (non-exchange Transactions)	1,040	197
Deposits	2,539	1,949
Sub-Total Non-Trade receivables	3,579	2,146
Total Receivables	<u>254,457</u>	<u>134,686</u>
Less provision for Impairment	<u>2,508</u>	<u>1,325</u>
Total Net Receivables	<u>251,949</u>	<u>133,361</u>

18. Inventories

Description	2020/21	2019-2020
	KShs 000	KShs 000
Bulky and Filled vaccines	374,011	295,335
Chemicals, Glassware & Filtration	180,761	204,093
Engineering, livestock and lab Equip equipment	6,713	6,002
Fuel Oil	543	708
Others	11,672	14,505
Total inventories at the lower of cost and net realizable value	<u>573,700</u>	<u>520,643</u>

19. Prepayment

Description	2020/21	2019-2020
	KShs 000	KShs 000
Production Reagents	3,013	-
Medical scheme	3,002	2,878
Totals	<u>6,015</u>	<u>2,878</u>

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20. Property, Plant and Equipment

	Land	Buildings	Plant & Machinery	Office Equipment	Furniture & Equipment	Motor Vehicles	WIP	Totals
Cost	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000		Shs 000
As at 1 ST July 2019	343,000	204,961	426,135	21,678	14,373	27,003		1,037,151
Additions	-	17,759	16,075	1,951		5,460	2,876	44,121
As at 1 ST July 2020	343,000	222,720	442,211	23,629	14,373	32,463	2,876	1,081,272
Additions	-	45,126	61,914	6,274	-	-	2,827	116,141
Disposals								
As at 30 June 2021	343,000	267,846	504,125	29,903	14,373	32,463	5,703	1,197,413
Depreciation and impairment								
As at 1 ST July 2019	-	35,021	365,689	13,134	9,555	27,002		450,402
Depreciation		4,454	55,276	2,954	1,797	1,365		65,846
As at 1 ST July 2020	-	39,475	420,966	16,088	11,352	28,367		516,248
Depreciation	-	5,357	63,016	3,738	1,797	1,365		75,273
Disposals								
As at 30 June 2021	-	44,832	483,981	19,826	13,148	29,733		591,520
Net book values								
As at 30 June 2021	343,000	223,014	20,144	10,078	1,224	2,730	5,703	605,893
As At 30 June 2020	343,000	183,245	21,245	7,542	3,021	4,095	2,876	565,024

Note

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

- i) HCC ELC No. 454 and 455 Of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout

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- Respectively.
- ii) ELC Civil Suit No. 1015 of 2016 Bangué Villa Estate Management vs KEVEVAPI and Nairobi City County.
Land trespass and illegal demolition of KEVEVAPI perimeter wall.
 - iii) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI-Application
- Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is land with Civil cases in court that had been grabbed in prior years. The cases in court are as follows: -
- iv) HCC ELC No. 454 and 455 Of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout Respectively.
 - v) ELC Civil Suit No. 1015 of 2016 Bangué Villa Estate Management vs KEVEVAPI and Nairobi City County.
Land trespass and illegal demolition of KEVEVAPI perimeter wall.
 - vi) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI-Application from plaint restraining KEVEVAPI from trespassing on her land within KEVEVAPI 29.5 ha.
 - vii) JR ELC MISC APP. No 28 of 2010 Renege Projects ltd –VS- Commissioner of Lands & KARI. Leave to appeal to the Supreme Court sought.
 - viii) ELC 939/2014 KEVEVAPI VS. The AG & 14 Others- The case involves all the illegal acquisitions of KEVEVAPI land except land under suit 1066/2016, 454/2009
 - ix) ELC 175/2010 Kimeo Stores LTD VS. AG & KEVEVAPI- The case involves the Institute's Limuru land. It is still at the hearing stage and has delayed due to the constant unavailability of Kimeo Store's witness due to sickness
- KEVEVAPI has a case in court of Approximately Kshs. 80 million for FY 2017/18 intended for purchase lot of machinery and equipment for modernizing KEVEVAPI. The dispute is in court on the award of the tender KVVPI/T/2017-18, and if approved for award by the Court, KEVEVAPI may lose money in buying a machine that does not conform to specifications.

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

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21. Trade and Other Payables from Exchange Transactions

Description	2020/21	2019-2020
	KShs 000	KShs 000
Trade payables	13,030	9,856
Accruals rates	13,180	13,180
Accruals security services	-	-
Accruals-Electricity bill	2,074	1,119
Accruals-Nita Subscriptions	1,029	2,058
Accruals-Water bill	142	110
Audit fee	1,160	580
Total Trade payables	<u>30,615</u>	<u>26,903</u>

22. Payment received in Advance

Description	2020/21	2019-2020
	KShs 000	KShs 000
Payments received in advance by counties	98,054	153,009
Galvmed Project	1,127	1,127
Kasal project	114	114
Asal project	200	200
University of Florida	10,411	10,411
Kalro Collaboration	1,115	289
International Dev't Research	285	285
Rwanda Client	1,989	
Total payment in advance	<u>113,295</u>	<u>165,435</u>

23. Share Capital Fund

	2020/2021	2019/2020
	KShs 000	KShs 000
Issued Fund	367,249	367,249

24. Capital Grant

This represents an accumulated amount of funds received from the government towards modernization of KEVEVAPI to attain GMP Standards.

NOTES TO THE FINANCIAL STATEMENTS(Continued)

25. Revaluation Reserve

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

26. Retained Earnings

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

27. Financial Risk Management

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

Fair values

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

Financial Assets	Carrying Amount	Fair value
At 30 June 2021	Kshs,000	Kshs,000
Receivables from non-exchange transactions	3,579	3,579
Receivables exchange transactions	250,879	248,370
Cash and cash equivalents	945,033	945,033
Total	<u>1,199,491</u>	<u>1,196,982</u>

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

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

Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS(Continued)

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

other factors before extending credit. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2021 was:

	Fully performing	Past due	Impaired	Total
	KShs,000	Kshs,000	Kshs	Ksh,000
Trade receivables	120,172	130,707	(2,509)	248,370
Cash and cash equivalents	<u>939,969</u>	=	=	<u>939,969</u>
Maximum exposure to credit risk	<u>1,060,141</u>	<u>130,707</u>	<u>(2,509)</u>	<u>1,188,339</u>

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

Credit quality

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

Receivables

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

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS(Continued)

Liquidity risk

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

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

	Less than 1 month Kshs 000	Between 1-3 months Kshs 000	Over 3 months Kshs 000	Total Kshs 000
At 30 June 2020				
Trade payables from exchange transactions	16,406	97,985	13,498	127,889
Trade payables from Non exchange transactions			16,021	16,021
	<u>16,406</u>	<u>97,985</u>	<u>27,461</u>	<u>143,910</u>

Market risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS(Continued

Description	2021	2020	2021	2020
	USD	USD	Kshs	Kshs
Assets	-	-	-	-
Bank and cash balances	2,685,447.13	5,744,330.24	289,625,472.97	611,899,843.56
Receivables	1,093,742.26	258,092.71	204,865,503.53	27,492,654.76
	<u>3,779,189.39</u>	<u>6,002,422.95</u>	<u>494,490,976.50</u>	<u>639,392,498.30</u>

At 30 June 2021 an increase/decrease of 10% on the US dollar exchange rates would have resulted in an increase/decrease in surplus of Sh. 49,449,097.65 (Shs543,940,074.15 – Shs 494,490,976.50)

Capital risk management policies

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

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

28. Related Party Balances

a) Nature of related party relationships

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

The entity is related to

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

b) Related Party Transactions

Description	2020-2021	2019-2020
	KShs 000	KShs 000
Transfers from related parties'	45,000	150,000
Transfers to related parties (MOA, L&F, Depart of Livestock)	-	-
Total	<u>45,000</u>	<u>150,000</u>

NOTES TO THE FINANCIAL STATEMENTS(Continued)
Related Party Balances (continued)

c) Key management remuneration

Description	2020-2021		2019-2020
	KShs 000		KShs 000
Directors'	11,208		9,358
Key management compensation	5,686		5,555
Chairman's Honoraria	1,020		1,020
Total	<u>17,914</u>		<u>15,933</u>

d) Due from related parties

Description	2020/21		2019-2020
	KShs 000		KShs 000
Due from Parent Ministry	105		105
Due from County Government	389		389
Total	<u>494</u>		<u>494</u>

f) Due to related parties

Description	2020/21		2019-2020
	KShs 000		KShs 000
Due to the parent Ministry	-		-
Due to County Governments	67,934		66,582
Totals	<u>67,934</u>		<u>66,582</u>

29. Contingent Assets and Contingent Liabilities

Contingent liabilities	2020/21		2019-2020
	Kshs		Kshs
HCC ELC No. 454 and 455 of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI	Not Valued		Not Valued
JR ELC MISC APP. No 28 of 2010 Renege Projects ltd –VS- Commissioner of Lands & KARI	Not Valued		Not Valued
ELC 939/2014 KEVEVAPI VS. The AG & 14 Others	Not Valued		Not Valued

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ELC 175/2010 Kimeo Stores LTD VS. AG & KEVEVAPI		
ELC Civil Suit No. 1015 of 2016 Bangue Villa estate Management vs KEVEVAPI and Nairobi City County.	Not Valued	Not Valued
ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI	Not Valued	Not Valued
KVVPI/T/1/2017-18-This tender is in court awaiting determination	80 million	80 million
Total	Not Valued	Not Valued

Note

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

- x) HCC ELC No. 454 and 455 of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout respectively
- xi) ELC Civil Suit No. 1015 of 2016 Bangue Villa Estate Management vs KEVEVAPI and Nairobi City County. Land trespass and illegal demolition of KEVEVAPI perimeter wall.
- xii) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI-Application from plaint restraining KEVEVAPI from trespassing on her land within KEVEVAPI 29.5 ha.
- xiii) JR ELC MISC APP. No 28 of 2010 Renege Projects ltd –VS- Commissioner of Lands & KARI. Leave to appeal to the Supreme Court sought.
- xiv) ELC 939/2014 KEVEVAPI VS. The AG & 14 Others- The case involves all the illegal acquisitions of KEVEVAPI land except land under suit 1066/2016, 454/2009
- xv) ELC 175/2010 Kimeo Stores LTD VS. AG & KEVEVAPI- The case involves the Institute's Limuru land. It is still at the hearing stage and has delayed due to the constant unavailability of Kimeo Store's witness due to sickness

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

30. Capital Commitments

Capital commitments	2020/21	2019-2020
	KShs 'Millions	Kshs' Millions
Authorized for	190	444
Authorized and contracted for	145	211

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31. Surplus Remission to The National Treasury

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

32. Events after the reporting period

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

33. Ultimate and Holding Entity

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

34. Currency

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

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19 Appendix 1 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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

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2016/3	Kshs 26,134,000 worth of receivables were long outstanding	Management have initiated serious efforts in collecting these debts. This is reflected in the reduction of debts from Kshs 151m in FY 2018/19 million to Kshs 133 million in FY 2019/20.	CEC
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IL

Chief Executive Officer

[Signature]

Chairman of the Board

Date.....*27/05/2022*.....

Date*27/05/2022*.....

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Modernize the FMD Laboratory to attain GMP Standards	1.75 Billion	1,146,273,860	65.50 %	90 Million	45 million	G.O.K Committed

Appendix III: INTER-ENTITY TRANSFERS

ENTITY NAME:		KENYA VETERINARY VACCINES PRODUCTION INSTITUTE		
Break down of Transfers from the State Department of Livestock, Ministry of Agriculture, Livestock and Fisheries				
FY 19/20	Bank Statement Date	Amount (Kshs)	FY the Amounts Relate	
a. Recurrent Grants		Nil	N/A	
b. Development Grants				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>	
	16/02/2021	45,000,000.00	2020/21	
	Total	45,000,000.00		
c. Direct Payments		Nil	N/A	
d. Donor Receipts		Nil	N/A	

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

Head of Accounting Department

KEVEVAPI

Sign 

Date 27/05/2022

Name: Peter Macharia

Head of Accounting Department

Ministry of Agriculture, Livestock and Fisheries,

Department of Livestock.

Sign-----

Date

Name: