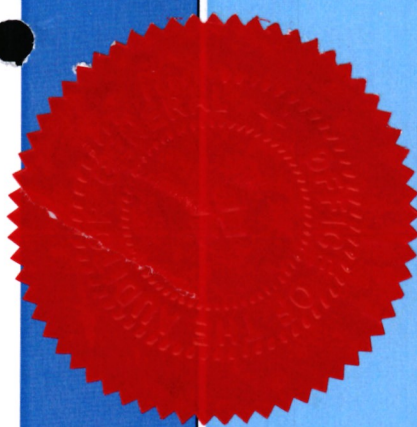


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY	
DATE: 07 JUN 2023	
Wednesday	
TABLED BY:	Hon. Kirumi Ichong'oth (Majority Party Leader)
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THE AUDITOR-GENERAL

ON

KENYA MEDICAL RESEARCH INSTITUTE

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



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KENYA MEDICAL RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2022

KENYA MEDICAL RESEARCH INSTITUTE
Annual Report and Financial Statements
For the year ended June 30, 2022.

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1. Key Entity Information and Management

(a) Background information

The Kenya Medical Research Institute (KEMRI) is a State Corporation established under The State Corporations Act, Legal Notice No. 35 as a Research Institute under Section 16 (2) and Section 53 as read with the Fourth Schedule of the Science, Technology and Innovation Act, 2013 as the national body responsible for carrying out health research, innovation, capacity -building and service delivery for the improvement of human health and quality of life, and advice the Government on matters related thereto

(b) Principal Activities

Vision

To be a leading centre of excellence in research for human health

Mission

To improve human health and quality of life through research, capacity building, innovation and service delivery

Institute's Motto:

The motto of the Institute is "In Search of Better Health" towards the realization of the mission.

Core Values

- Purity
- Innovativeness
- Customer Focus
- Team Work
- Uprightness and integrity
- Respect and Fairness
- Excellence

Mandate

The mandate of KEMRI as per Legal Notice No. 35 is as follows: -

- a) Conduct health, biomedical, and public health research for human health;
- b) Build human health research capacity;
- c) Collaborate and partner with other local and international research bodies and institutions in carrying out human health research and capacity building;
- d) Advise the responsible Ministry in matters pertaining to health research policies and priorities;
- e) Undertake scientific and technological innovation as well as in the discovery, transmission and enhancement of knowledge and stimulate the intellectual life in the economic, social, cultural, scientific, and technological development;
- f) Establish incubation centres for innovation, and link research, policy makers, academia and industry in the health products value chain: and

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g) To do all such things that are necessary or desirable to carry out its functions.

(c) Key Management

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

- Director General/CEO
- Director Research and Development
- Director Corporate Services
- Director Research Capacity Building
- Director Scientific Programmes, Partnerships and Grant Management
- Director Strategy and Compliance
- Director Legal Services

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Ag. Director General	Prof. Samuel Kariuki
2.	Ag. Director, Research & Development	Dr. Evans Amukoye
3.	Ag. Director , Corporate Services	Mr. Anthony Wachira
4.	Director, Research Capacity Building	Prof. Elijah Songok
5.	Deputy Director, Scientific Programmes & Partnerships	Ag. Dr. Lubano Kizito
6.	Deputy Director, Grants Management	Dr. Lubano Kizito
7.	Deputy Director, Finance & Accounts	Mr. Anthony Wachira
8.	Ag. Deputy Director, Human Resource	Mr. Rowland Muyeshi
9.	Deputy Director, Administration	Mr. John Musau
10.	Corporation Secretary	Mr. Martin Machira
11.	Deputy Director, Centre for Biotechnology Research & Development	Dr. Luna Kamau
12.	Deputy Director, Centre for Microbiology Research	Dr. Christine Bii
13.	Deputy Director, Centre for Traditional Medicine and Drug Research	Dr. Festus Tolo
14.	Deputy Director Centre for Global Health Research - Kisumu	Dr. Eric Muok
15.	Deputy Director, Centre for Infectious & Parasitic Diseases Control Research	Mr. Tom Mokaya
16.	Deputy Director, Centre for Geographical Medicine Research – Coast	Dr. Joseph Mwangangi
17.	Deputy Director Eastern & Southern Africa Centre for International Parasite Control	Dr. Doris Njomo
18.	Deputy Director Centre for Clinical Research	Dr. Veronicah Manduku
19.	Ag. Deputy Director Centre for Viral Research	Dr. Ashimosi Khamadi
20.	Deputy Director, Centre for Public Health Research	Dr. Zipporah Bukania
21.	Deputy Director Centre for Respiratory Diseases Research	Dr. Videlis Nduba

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(e) Fiduciary Oversight Arrangements

KEMRI is governed by a Board of Management (BOM) which is responsible for all policy matters, and is composed of a chairman, seven gazetted/appointed members and four ex-officio members representing various Government Ministries, including the National Commission for Science, Technology and Innovation. KEMRI's Chief Executive Officer, who is the Principal Accounting Officer of the Institute, is a board member. The Corporation Secretary also serves as secretary to the Board of Management. In order to ensure efficient delivery of Board mandates, the Board operates through the following four (4) Board Committees namely: -

1. Audit Committee

This Committee oversees all audit functions of the Institute, including financial, procurement, and human resource processes. Monitors implementation of any audit queries raised by the Office of the Auditor General.

2. Human Resource Committee

This committee reviews staff matters, determines staffing levels by reviewing and recommending to the board any new appointments as well as appropriate disciplinary measures on staff who breach existing staff regulations

3. Finance and Development Committee

This Committee provides oversight on Financial and Development matters of the institute

4. Scientific Research and Innovation Committee

This Committee is responsible for providing strategic direction of research in the Institute. The committee scrutinizes, evaluates and approves research programmes, performance and output of research projects

(f) KEMRI Headquarters

P.O. Box 54840-00200
Mbagathi Road
Nairobi,
Kenya

(g) KEMRI Contacts

Telephone: (254) 0202722541
E-mail: director@kemri.org
Website: www.kemri.org

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(h) KEMRI Bankers

1. Kenya Commercial Bank
Kipande House Branch
P.O. Box 30012 - 00100,
Nairobi

2. Cooperative Bank Limited
China Centre Ngong Road Branch
P.O Box 21831-00400
Nairobi

3. Family Bank
Kilimani Branch
P. O. Box 74145-00200
Nairobi

(i) Independent Auditors




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

(j) Principal Legal Adviser



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




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2. The Board of Directors

<p>1. </p>	<p>Dr. Daniel M. Mbinda MBS Chairman Board of Directors</p> <p>Qualifications Postgraduate – Masters of Medicine in Dermatology Undergraduate - MBCHB</p> <p>Year of Birth: 25/11/1954</p> <p>Current Employer</p> <p>Work Experiences</p> <ul style="list-style-type: none"> • DOD
<p>2. </p>	<p>Prof. Sam Kariuki Ag. Director General /CEO KEMRI</p> <p>Year of Birth: 24.7.1963</p> <p>Qualifications</p> <ul style="list-style-type: none"> • PhD- Tropical Medicine- University of Nairobi • Msc. Pharmacology & Toxicology- University of Nairobi • Bachelor of Veterinary Medicine- University of Nairobi <p>Work Experiences Kenya Medical Research Institute 1991 to Date.</p>
<p>3. </p>	<p>Amb. Dr. Wenwa Akinyi Odinga Independent Board Member, Department of Chemistry University of Nairobi, Chiromo Campus P.O Box 30197–00100 Nairobi</p> <p>Year of Birth: 1951</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Doctorate degree in Chemistry <p>Work Experiences</p> <ul style="list-style-type: none"> • Lecturer – University of Nairobi – Department of Chemistry • Senior Chemist – Pyrethrum Board of Kenya • Worked with the commission for higher education

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<p>4.</p> 	<p>Prof. Timothy Waema Independent Board Member</p> <p>Year of Birth: 1960</p> <p>Qualifications Postgraduate -Ph.D. degree in strategic management of information systems, University of Cambridge, U.K Undergraduate –BSc. Electrical & Electronics Engineering, University of Bath, U.K</p> <p>Current Employer University of Nairobi</p> <p>Work Experiences</p>
<p>5.</p> 	<p>Dr. F. George Njoroge Independent Board Member</p> <p>Year of Birth: 20/04/1954</p> <p>Qualifications PhD - Chemistry 1985 Case Western Reserve University, Cleveland, Ohio Masters - M.S. Chemistry Nairobi University, Undergraduate - BSc. Chemistry - First Class Honors</p> <p>Current Employer KUTTRH</p> <p>Work Experiences</p> <ul style="list-style-type: none"> •

<p>6.</p> 	<p>Mrs. Marstella Kahindi Independent Board Member</p> <p>Year of Birth: 10/10/1961</p> <p>Qualifications Masters - Business Administration (MBA) UoN (Majoring in Strategic Management) Undergraduate - Bachelor of Arts</p> <p>Current Employer</p> <p>Work Experience</p> <ul style="list-style-type: none"> •
<p>7.</p> 	<p>Ms. Kanini Nthiga Rep. Attorney General's Office</p> <p>Year of Birth: 29/09/1985</p> <p>Qualifications Post Graduate Diploma in Law: Kenya School of Law Undergraduate - Bachelor of Laws (LLB) University of Nairobi</p>
<p>8.</p> 	<p>Dr. Rebecca Kiptui Rep. PS Ministry of Health</p> <p>Year of Birth: 1971</p> <p>Qualifications Medical Doctor</p> <p>Current Employer</p> <ul style="list-style-type: none"> • Head Universal Coverage Secretariat Ministry of Health • Technical Advisor to PS Health • Senior Deputy Director Medical Services <p>Work Experiences</p> <ul style="list-style-type: none"> • Technical Coordinator of the Kenya Malaria Indicator Survey 2015

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6. Statement of Performance against Predetermined Objectives for FY 2021/22

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

KEMRI has five strategic themes and objectives within the current Strategic Plan for the FY 2018- FY 2023. These strategic themes are as follows:

1. Research and Innovation
2. Corporate Governance
3. Research Infrastructure
4. KEMRI Graduate School of Health Research
5. Financial Sustainability

KEMRI develops its annual work plans based on the above five Themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2021/2022 period for its strategic pillars, as indicated in the diagram below:

	Strategic Pillar/ Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
1.	Research and Innovation	To Strengthen Investments in Health Research and Innovation	Number of policy briefs developed	Policy briefs developed	14
			Number of new research protocols developed & approved	Research protocols approved	162
			Number of ongoing Research Projects		500
			No. of research Papers published	Research Findings Disseminated	432
			No. of research Abstracts presented		174
			No. of Scientific & Health Conferences held		1
			No. of Diagnostic kits produced	Quality diagnostic and specialized laboratory services	286,664
			No. of Clinical and Specialized laboratory services		617,000

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3.	Research Infrastructure	To upgrade research infrastructure and automate processes	Timeliness, relevance, completion rate	Completed relevant projects	5:
4.	KEMRI Graduate School of Health Research	To attain degree awarding status for KEMRI graduate school of Health sciences	Number of researchers enrolled for graduate studies	Health Researchers enrolled for graduate studies	8:
5.	Financial Sustainability	To enhance and diversify resource mobilization as a step towards financial sustainability	No. existing partnerships	Strengthen existing funding networks	8:

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7. Corporate Governance Statement

The KEMRI Board of Management Charter (the “Charter”) which was approved by the Board on 3rd September, 2016, defines the Board’s roles and responsibilities as well as functions and structures to support the Board members in carrying out their strategic oversight function.

The Charter guides the Board in directing the Institute to maximize the long-term value of services provided for all stakeholders. The Charter covers the following areas: -

- Statement on Good Governance and Guiding Principles
- Role of the Board of Management
- The size of the Board of Management
- Board of Management Composition
- Appointment of Members of the Board of Management
- Independence of KEMRI Board Members
- Term Limits
- Mode of resignation from the KEMRI Board of Management
- The role of the Director of KEMRI
- What the Board should provide the Director with
- The office of Corporation Secretary
- The principle duties of the Corporation Secretary
- Relationship between the KEMRI Board of Management and the Management Committees of the Board: -
 - Audit Committee
 - Finance and General Purpose Committee
 - Infrastructure and Development Committee
 - Scientific Programs Committee
- Board Responsibilities
- Responsibilities of Individual Board Members
- Principles of Public Service
- Conduct of meetings, protocol and procedure at meetings
- Notice and Agenda for meetings
- Implementation of Resolutions
- Liability of KEMRI Board Members
- Conflict of Interest
- Board Members access to Employees
- Board Induction and Continuous Skills Development
- Board Remuneration
- Board Performance
- The KEMRI Board and Management Succession
- Governance Audit

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KEMRI Board has adopted high standards and applies strict rules of conduct based on the best corporate practices. As part of this commitment, the KEMRI Board adheres to good corporate governance by embracing the following principles: -

1. High standards of ethical and moral behavior;
2. Action in the best interests of the Institute;
3. Favorable terms and conditions of service;
4. Recognition of the legitimate interests of all stakeholders; and
5. Good corporate citizenship

The Board endeavors to disclose confidential information, avoid real and perceived conflicts of interest, and concentrates on the interests of the Institute over other interests. To achieve this, a Conflict-of-Interest register is maintained by the Corporation Secretary and disclosure of interest is a standing agenda item in every Board or Committee meeting.

During the reporting period a total of thirty eight Board meetings were held with at least one meeting per quarter.

The Board members were trained locally and abroad. The Board has approved a work plan that made provisions for capacity building and training in the year. All members of the Board have been inducted on the Code of Conduct for State Corporations (Mwongozo) including the Board Chairman who was appointed prior to the reporting period.

The new Board Members appointed during the period were inducted partially. The induction was cut short due to the Covid-19 pandemic. This is expected to be completed in the current financial year.

The Board's performance evaluation for the period was undertaken by the State Corporations Advisory Committee on 21st July, 2022.


Corporate Secretary

8. Management Discussion and Analysis

1. Review of Performance

The Kenya Medical Research Institute has achieved the following during the period under review;

i) Research

- a. The Institute developed four hundred thirty seven (437) new research proposals covering national health research priority areas with the aim of providing evidence based research data to inform policy formulation, prioritization of interventions, allocation of resources and revision of national treatment guideline.
- b. Publications in peer reviewed journals exceeded the reporting period target of seven hundred and eighty-seven (787) by 27.7% to stand at one thousand and five (1,005). These contributed to increased scientific knowledge in addition to providing a repository of scientific reference material for formulation of evidence based policies and treatment guidelines for disease management and training.
- c. The Institutes' scientists also presented four hundred and twenty five (425) peer reviewed scientific abstracts in national and international conferences and scientific forums.
- d. Rapid situation analysis on population needs for Universal Health Coverage in government selected Pilot Counties, Kenya. Other UHC research related activities were conducted on human food security and nutrition and Health Systems.
- e. Universal Health Coverage (UHC) operational research to support to piloting in the four counties of Machakos, Kisumu, Isiolo and Nyeri in 2018.
- f. UHC scale up studies in twelve (12) namely Bungoma, Homabay, Bomet, Nyandarua, Nyeri, Isiolo, Meru, Machakos, Kitui, TaitaTaveta, Kisumu and West Pokot from January 2020 and Ongoing.
- g. Antimicrobial Resistance (AMR) and cholera: Monitoring resistance and development and evaluation of new drugs.
- h. Developed and continues to manage Demographic Health Surveillance Systems (DHSS), in six (6) Counties, targeting population dynamics, validating National census/demographic Health Surveys, health facility utilization, evaluation of new health interventions and priority diseases monitoring within Kisumu, Siaya, Homabay, Kwale, Nairobi and Kilifi Counties. Some of the key aspects under surveillance include:
 - i. Pilot deployment of malaria vaccine in Siaya and Kisumu
 - ii. Mapping out disease dynamics within communities

- iii. Mapping distribution of health facilities and their utilization in Kilifi, Kisumu and Siaya. This information is regularly shared with County and National Government for planning.
- i. Climate change and health: KEMRI continues to monitor the trends in disease causing organisms and their vectors in relation to climate change. KEMRI has developed models to predict and monitor malaria outbreaks, allowing the identification of possible epidemics.
- j. Health Products and Technologies (HPT): Drug, Vaccine, Diagnostics, Discovery, Development and Clinical trials:
 - i. Malaria:
 - **Vaccine:**
 - RTSS Phase 3 completed and pilot deployment ongoing in Kenya, Malawi and Ghana
 - New malaria candidate vaccine evaluation ongoing
 - New vaccine discovery and development antigen identification
 - **Drugs:**
 - Malaria drug discovery by mining existing chemical libraries (360 compounds evaluated)
 - Evaluation of medicinal plants with anti-malarial potential
 - Clinical trials on new anti-malarial drugs (KAF, Feroquine, KAE)
 - Antimalarial drug resistance surveillance and monitoring
 - **Diagnostics:**
 - First locally manufactured new rapid diagnostic tests (RDT) development
 - Evaluation of new and existing malaria diagnostic tools
 - Training of health workers and researchers in malaria diagnosis
 - ii. Ebola vaccine: Phase two proof of concept trial showing that the vaccine candidate was efficacious was completed. Phase three was not done since the epidemic was contained.
 - iii. HIV: A Phase 3b, randomized, open-label study of the antiviral activity and safety of dolutegravir compared to lopinavir/ritonavir both administered with dual nucleoside reverse transcriptase inhibitor therapy in HIV-1

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infected adult subjects with treatment failure on first line therapy. Dolutegravir Has now been adopted in the country as 2nd line treatment for HIV

- iv. TB: A Phase IIB, Double-blind, randomized placebo-controlled study to evaluate efficacy, safety and, immunogenicity of GSK biologicals' candidate tuberculosis (TB) vaccine GSK 692342 against TB disease in healthy adults aged 18-50 years living in a TB endemic region. The study is now complete and showed promising results and it was the 1st vaccine trial in
- v. Sickle cell: A phase 3, Double – blind, Randomized, placebo-controlled, multicenter study of GBT440 Administered Orally to patients With Sickle Cell Disease. Completed and proceeded to an open label study GBT 034. The Drug has been registered and is in the market
- vi. Yellow fever vaccine: Currently KEMRI is developing a fractionated dose regimen. The development is in the final stages of evaluation. Other activities include:
 - A reverse transcriptase loop amplification isothermal PCR for YFV was developed at KEMRI-PD vide publication attached herewith.
 - Domestication of differential diagnosis assays by PCR for YFV, RVFV, DENV, CHIKV, ONNV and WNV using established protocols
 - Development of Enzyme Linked Immunosorbent Assays (ELISA) for YFV e.g. indirect IgG ELISA, IgM capture ELISA and Ag detection ELISA
 - Large-scale production of YFV specific monoclonal antibody 2D12 and its subsequent use in Plaque and Focus Neutralization Assays
 - Developed more MAbs that are awaiting field testing and large-scale propagation
- k. KEMRI signed and maintained ninety (90) different collaborative agreements and partnerships from over eighteen (18) countries.
- l. Research translation (policies and guidelines):
 - i. Participated in development of malaria treatment, diagnosis and control guidelines

- ii. Community Interventions in Low- and Middle- Income Countries to Inform COVID-19 Control Implementation Decisions within Kenya: A Rapid Systematic Review, issue date 30th June 2020.
- iii. How can we Support Patients with Chronic Kidney Disease on Dialysis make Informed Nutritional Decisions? April 2020
- iv. Status of the COVID-19 pandemic in Kenya: Evidence from national case-based surveillance, sero-surveillance and hospital-based clinical surveillance, October 2020
- v. SARS-CoV-2 genomic diversity in Kenya, June – October 2020
- vi. Sero-prevalence of SARS-CoV-2 among truck drivers in Kenya, January 2021
- vii. Addressing the Intersection of Health and Economic Inequities among Pregnant and Post-partum Women in Kenya during COVID-19: February 2021
- viii. Diagnostic test for lymphatic filariasis to support decisions for stopping triple-therapy mass drug administration: target product profile; 12 March 2021; <https://www.who.int/publications/i/item/9789240018648>
- ix. Providing Optimal cancer care Management-Kenyan Scenario; January 2021
- x. Projection of COVID-19 Cases and Deaths- Schools Reopening, January 2021
- xi. Improving case detection of tuberculosis in hospitalized Kenyan children, November 2020
- xii. Sero-prevalence of SARS-CoV-2 among truck drivers in Kenya; January 2021
- xiii. What are the Indirect Health Effects of the COVID-19 Pandemic in Kenya, Apr-21
- xiv. Modelling the Impact of COVID-19 Vaccination Scenarios in Kenya, May-21
- xv. Adopting the EEEEC Framework to optimize critical provision in Kenya", May-21
- xvi. Understanding the mortality impact of COVID-19 from a longitudinal surveillance study in Kilifi County, Jun-21
- xvii. The International Tobacco Control Policy Evaluation Project, ITC Kenya National Report, Findings from the Wave 1 and 2 surveys (2012-2018);

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- Policy brief launched on World no Tobacco Day May 31, 2021 and the brief is on MOH, Kenya website; www.itcproject.org.
- xviii. The Alpha (B.1.1.7) variant of concern continues to predominate SARS-CoV-2 infections in Kenya, June 2021
- xix. Genomic surveillance indicates dominance of local transmission of the global variants of concern in Kilifi Taita Taveta and Mandera counties in Kenya, July 2021
- xx. Genomic surveillance detects local transmission of the global variants of concern in nine counties in Kenya.pdf, July 2021
- xxi. Predominance of SARS-CoV-2 Variants of Concern 501Y.V1 and 501Y.V2 at the Kenyan Coast.pdf, April 2021
- xxii. COVID 19 How can we strengthen health systems to respond to everyday challenges_.pdf, June 2020
- xxiii. Detection of SARS-CoV-2 Variant 501Y.V1 in Coastal Kenya.pdf, January 2021
- xxiv. Detection of SARS-CoV-2 Variant 501Y.V2 (South African origin) in Coastal Kenya.pdf, January 2021
- xxv. Detection of SARS-CoV-2 variant 501Y.V2 at Lunga Lunga Border Point, Kwale County.pdf, February 2021
- xxvi. Emergence-of-new-SARS-CoV-2-Variants-of-Concern.pdf, 2021
- xxvii. Evidence-from-serological-and-clinical-surveillance-and-predictive-modeling.pdf, August 2020
- xxviii. Genome-sequencing-of-SARS-CoV-2-cases-in-Kenya.-Report-2-2.pdf
- xxix. Policy Brief on COVID-19 Response in Border Counties_18th December 2020_2.pdf
- xxx. KHDSS Mortality Surveillance Policy Brief 14062021 - final.pdf
- xxxi. Kisumu Sequencing Brief June 11 2021 FINAL.pdf
- xxxii. Kisumu Sequencing Brief June 17 2021 (Western Kenya).pdf
- xxxiii. Kisumu Sequencing Brief June 18 2021 (Prison).pdf
- xxxiv. Kisumu Sequencing Brief June 25 2021.pdf
- xxxv. Policy #23 on Genomic Sequencing - amukoye@gmail.com - Gmail.webarchive
- xxxvi. Explaining the Three Waves of the COVID-19 Transmission in Kenya using a Mathematical Model.pdf

- xxxvii. Interpreting SARS-CoV-2 RT-PCR Test ReInterpreting SARS-CoV-2 RT-PCR Test Results_Experinces from KEMRI Kilifi.pdf, July 2020
- xxxviii. Regional Social and Epidemiological Vulnerability to COVID-19 in Kenya.pdf
- xxxix. What Does it Cost to Treat a COVID-19 Patient in Kenya.pdf, July 2020
 - xl. Therapeutic options for the management of COVID-19.pdf
 - xli. Projections-of-COVID-19-cases-and-deaths-following-schools-reopening.pdf, January 2021
 - xlii. Regional-Social-and-Epidemiological-Vulnerability-to-COVID-19-in-Kenya.pdf, June 2020
 - xliii. Reopening-schools-during-the-COVID-19-pandemic-A-summary-of-strategies-from-other-countries.pdf, October 2020
 - xliv. SARS-CoV-2 Genomic Diversity in Kenya, June – October 2020.pdf
 - xlv. SARS-CoV-2-genomic-diversity-in-Kenya-June—October-2020.pdf
 - xlvi. Status-of-the-COVID-19-pandemic-in-Kenya-October-2020.pdf, October 2020
 - xlvii. What-can-Kenya-Learn-from-other-Country-Responses-to-a COVID19-Second-Wave.pdf, October 2020
 - xlviii. What-is-the-role-of-testing-in-the-COVID-19-pandemic.pdf, June 2020

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ii) **COVID-19 KEMRI Response**

- i. Diagnosis: KEMRI conducted 37% (704,884) of all COVID-19 tests across the country for the FY2020/2021.
- ii. Genomic sequencing: 2,200 COVID-19 samples have been sequenced since March 2020 to August 2021.
- iii. Vaccine development: Phases 2 and 3 clinical trials on Astra Zeneca (Chadox) ongoing.
- iv. Developed and submitted to MOH, 22 policy briefs on SARS-COV-2 genome variants and 12 policy briefs on prevalence of COVID-19 among long distance drivers and mathematical modeling of the pandemic.
- v. Capacity building:
 - KEMRI sensitized 46 County laboratory managers on biosafety and sample collection on onset.
 - KEMRI also trained 47 staff from Embu County, Mandera County, Institute of Primate Research and Gertrudes Childrens Hospital on COVID-19 testing
 - KEMRI trained sixteen (16) in-house staff members and assisted in validation of labs across the country.
 - KEMRI trained an additional twenty five (25) staff on understanding of the COVID-19 disease and Infection Prevention and Control (IPC) to the members of the IPR staff.
 - Trained 120 laboratory staff from 47 counties on emergency laboratory preparedness and response.
- vi. Product development
 - COVID-19 PCR kit undergoing final evaluation
 - Viral transport media developed, and 26,000 pieces distributed to health facilities
 - Produced 157,861 units of bleach (TBCide) and supplied to KEMSA and other health facilities.
 - Produced 292,971 units of Sanitizers (KEMRUB)
 - Obtained accreditation by KENAS (ISO17043) for COVID-19 Proficiency Testing and so far 18 laboratories have been registered.

iii) **Kenya Vision 2030 Flagship Projects**

a) **Center of Excellence for Stem cells Research, Synthetic Biology and Regenerative medicine:**

- 1) Preliminary animal studies on application of characterized stem cells for diabetic wound healing and management of cutaneous leishmaniasis lesions in animal models.
- 2) Capacity building in stem cell research applications and technologies.
 - Laboratory upgrade and renovations: Stem Cell Unit facility in operation
 - Acquisition and installation of equipment
 - Cell culture equipment, Next Generation Sequencer, BDFACs Cell Sorter
 - 10 laboratory staff trained on generation and propagation of stem cells
 - Revision of Graduate School curricula to include application of stem cells
- 3) Establishment of a stem cell biobank is in progress. KEMRI has undertaken Internal Training in stem cell culture and isolation on flat plates. KEMRI is undertaking the following activities:
 - Standardization of laboratory protocols.
 - Generated stem cells for use in wound healing and diabetes
 - Use of MSC to modulate Schistosomiasis granulomas
 - Cryopreservation and viability testing
- 4) Establish laboratory infrastructure: Cells generated, cultured and cryopreserved.
- 5) Equipment for stem cell research has been procured and already in use: (a) CO2 Incubator b) Class A2 Biosafety Cabinet, c) Medical Freezer d) Centrifuge (refrigerated) e) Cryogenic storage Dewar. These equipment are within CBRD-Immunology Division)

b) **Natural Products:**

- Manufacture of pharmaceuticals through Public Private Partnership Initiative
- Development of indigenous technologies for manufacture of niche products
 - i) Formulation of authenticated herbal remedies for management of cancer and jigger eradication is complete. A product (Tungicide) has been developed awaiting field evaluation.

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- ii) Pre-clinical studies for herbal medicines for cancer treatment

One hundred and forty-seven (147) samples collected in Nairobi and Uasin Gishu. Microbial contamination and drug sensitivity studies have been completed for 117 samples; data analysis is ongoing. Cytotoxicity studies are also continuing. Data compilation for 5 samples tested against prostate and cervical cancer cell lines on going.

- iii) Development of therapeutic and supplemental foodstuffs to prevent and treat malnutrition

Ujiplus

iv) Innovations

During performance period under review:

- a) KEMRI is in the process of developing a locally produced rapid diagnostic kit for malaria, in support of Africa Leadership Malaria Alliance (ALMA) spearheaded by the President of Kenya.
- b) Viral Transport Media (VTM) for COVID 19 was developed and 26000 units have been supplied to Health sector
- c) Developed Proficiency testing for COVID 19 (The first in Africa) and accredited by KENAS
- d) Establishment of stem cell research for regenerative and precision medicine application.
- e) Development of a COVID-19 PCR test kit; currently at the commercialization stage.
- f) Evaluation of a Loop-mediated isothermal amplification (LAMP) assay for COVID-19 detection; results shared with the sponsors, the Bill and Melinda Gates Foundation.
- g) Development and Evaluation of Helicase Dependent Isothermal DNA Amplification Method as Point-of-Care Diagnosis of Wuchereria bancrofti. Results published in Journal of Parasitology Research.

v) Capacity Development

Infrastructural

- a. The Institute continues to maintain the following accreditations:
- i. WHO accreditation (CVR-EPI LABS polio/measles),
- ii. Microbiology & Clinical Research Labs (CAP) (KEMRI/WRP Kericho),
- iii. Seeking re-certification for ISO 15189:2012 (Medical laboratory (CVR, CGHR-TB/HVR/DLSP)),
- iv. ISO 9001:2015 (QMS Requirements KEMRI),

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- v. Certified Clinical, Microbiology & Immunology labs (GCLP), CGMRC Kilifi, CGHR Kisumu, CCR Kombewa/Kondele/Kericho
 - vi. ISO/IEC17043:2010 General Requirements for Proficiency Testing (Production)
 - vii. Seeking re-certification for ISO 13485 (Medical devices (Production)).
 - viii. KEMRI is also pursuing ISO 15189:2012 Medical Laboratory certification for CCR, ESACIPAC, CVR HIV lab, KEMRI/RTCP-FACES, CGHR Malaria.
 - ix. Kericho Clinical Research laboratory accredited by the College of American Pathologists [2008].
- b. Fully fledged laboratory for Human Identification & Training for paternity and for disaster and crime scene investigation.
 - c. Establishment of Stem cell research infrastructure, which is a Kenya Vision 2030 Flagship Project including acquisition of key equipment and training and generate cell lines for use in pre-clinical applications in diabetes and wound healing; ongoing.
 - d. Next generation sequencing: Equipment including the Illumina- Miseq, Oxford nanopore and Roche 454 high through put sequencing platforms and soon to be supported by a High power computing facility under set up.
 - e. The following research infrastructure was established and enhanced during the reporting period:
 - i) Upgrading of the p3 laboratories CRDR
 - ii) Equipping of flu lab and P3 lab at HQ
 - iii) Design and construct research labs at KEMRI Kwale
 - iv) Construction and upgrade of BSL2 and other laboratories supported by USA Defence Threat Reduction Agency (DTRA)
 - f. Other Infrastructure
 - i) Repair, renovations of staff quarters at Mbagathi
 - ii) ICT infrastructure and automation
 - iii) Installation of CCTV, barrier access control
 - iv) Rehabilitation/Replacement of water piping system at HQ
 - v) Rehabilitation of access roads and drainage in KEMRI Kisian station
 - vi) Rehabilitation of access roads, KEMRI HQ

Human Resource

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- a) KEMRI Graduate School Nairobi continued enrollment and training of research scientists with a total of 105 PhD and Masters degree scientists trained during the period under review.
- b) KEMRI Kilifi Center (CGMR-C) has trained 36 graduate attaches, 78 postgraduate Diploma students, 34 Masters students and 42 PhD students to completion, with 26 Masters and 51 PhD students still in training.
- c) KEMRI Kisumu (CCR) Malaria Diagnosis Center (MDC) trained a total of 76 Kenyan and International students on malaria diagnosis. Trainees were drawn from Kenya and Ghana.
- d) ESACIPAC
 - i) Capacity building of health officials from 8 states of South Sudan on deworming for schistosomiasis and soil transmitted helminths sponsored by World Health Organization, Expanded Special Program for Elimination of Neglected Tropical Diseases (WHO/ESPEN)
 - ii) Capacity building of Ethiopian MOH official on Onchocerciasis voluvus (OV) 16 Eliza in collaboration with CDC.
 - iii) Capacity building of Kenya MOH technical staff in Lamu East, Lamu West and Jomvu sub - counties for pre-transmission assessment surveys (Pre-TAS) and transmission assessment survey (TAS) for lymphatic filariasis elimination using triple therapy-ivermectin, diethylcarbamazine and albendazole (IDA).
 - iv) Schistosomiasis diagnosis kit training of county MOH officials in Kiambu, Bondo and Kwale
 - v) Capacity building in Ethiopia and Tanzania on malaria diagnosis.
 - vi) Capacity building of MOH officers, community health volunteers and development of training manual for morbidity management and disability prevention for lymphatic filariasis elimination in Kwale County funded by Taskforce for Global Health, Atlanta, Georgia.
 - vii) Capacity building of African region NTDs program managers on coming up with social science research questions for implementation research in MDA for LF elimination, took place in Ethiopia funded by coalition for operation on NTD (CORNTD) based at the Taskforce for global health, Atlanta, Georgia.
 - viii) Capacity building of MOH and communities on COVID -19 awareness in Kwale County funded by KEMRI /IRG

- ix) Capacity building of MOH and other partners in Dengue and Chikungunya prevention and control in Kwale County in collaboration with Technical University of Mombasa (TUM) and Stanford University
 - x) Training of 40 MOH officers on schistosomiasis and soil transmitted helminths diagnosis in Malawi funded by Bill and Melinda Gates foundation
 - xi) Training of 6 MOH officers on schistosomiasis and soil transmitted helminths diagnosis in Ethiopia funded by European & developing countries clinical trial partnerships (EDCTP).
 - xii) Training of 50 MOH officers on granular mapping for schistosomiasis in Kenya funded by Accelerating Sustainable Control and Elimination of NTDs (ASCEND) UK.
- e) Japan International Cooperation Agency (JICA) Third Country Training Programme (TCTP)
- i) In year one (2019), a total of fourteen (14) participants from seven (7) countries (Ethiopia, Uganda, Eritrea, South Sudan, Rwanda, Burundi, Kenya (Mandera, Busia, Turkana, Nairobi)) were trained on Laboratory Preparedness for Building resilience Against Public Health Emergencies in Eastern African Region, between October and November 2019. A follow up evaluation was conducted in Rwanda, Ethiopia and Uganda in January 2020. A network of information sharing among the trainees has been established.
 - ii) In year two (2020), a total of one hundred and fifty-nine (159) Health Workers from forty seven (47) Counties were trained in emergency laboratory preparedness and response between November 2020 and February 2021. Successful follow of the trainees took place in January 2020 with visits to Rwanda, Uganda and Ethiopia. A network of these trained personnel has been established on sharing information on emerging and re-emerging disease in support of Global health security Agenda. A follow up in 8 sampled Counties will be carried out in November 2021. Year three (3) training (2021) is going to be a hybrid with 3 weeks virtual and 1-week physical training in October 2021.
- f) Professional development
- i) One Officer trained on Malaria Microscopy Competency offered by HuQAS
 - ii) Twelve staff trained on performance evaluation of a prototype rapid diagnostic test for the diagnostic of schistosomiasis
 - iii) KEMRI staff sensitized on COVID-19 Vaccination

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- iv) Ten officers trained on Miseq FGS Sequencing
- v) Sixteen staff trained on Environmental Surveillance
- vi) Thirty staff trained on Research Methodologies
- vii) KEMRI facilitated training of thirty (30) staff in Monitoring and Evaluation in Global Health
- viii) Sixty staff trained on Corporate Governance
- ix) Six staff trained on Senior Management Course and Supervisory Skills course at KSG.

g) COVID-19 Training

KEMRI carried out key research capacity building and training at the National and County level. Notably, the Institute continued to build capacity in Bioethics and COVID-19 testing.

vi) **Service delivery**

a. Technical assistance

KEMRI researchers assigned to various units within the MOH to support strategic initiatives and departments e.g. National Public Health Laboratory, COVID-19 task force, COVID-19 vaccine deployment, National Immunization Technical Advisory Group (NITAG), National Laboratory Technical Advisory Committee (NLTAC), Kenya Coordinating Mechanism for Global Fund

b. Outbreak response to VHF's

- i. KEMRI responded to outbreaks of dengue, Rift Valley fever, Yellow fever, Chikungunya among other suspect outbreaks like Ebola.
- ii. KEMRI operationalized One Health Research approach programme.

c. Laboratory services

KEMRI increased specialized laboratory services offered in FY15/16-17/18 from 651,361 to 3,577,412 for FY18/19-20/21. These services include Viral Load testing which covers 75% of all National tests, PCR- Early Infant Diagnosis of HIV, HIV/Rapid Test and DNA tests. This was made possible through acquisition of new technology with the capacity to conduct one million tests quarterly. The technology further sends information to client on real time (both patients and health facility).

d. Products

The Institute developed and commercialized 1,475,919 diagnostic kits and other product, an increase from 161,951 from FY15/16-17/18. The products include:

Culture Media (plates), Culture Media (Tubes), KEM-rub, TBcide, Safi Kem (Hand wash), Sheep blood and Distilled Water.

vii) **Regional, Continental and International responsibilities**

- a) East African Community: East African Health Research Commission focal point.
- b) African CDC: East African Region Coordination Center (RCC) laboratory support
- c) WHO: Regional reference laboratory for polio
- d) Arbovirus regional reference laboratory
- e) Global reference center for Malaria diagnosis
- f) KEMRI supported establishment of Malaria Diagnostics Centers of excellence in Tanzania, Ghana and Nigeria.

viii) **Recognition**

- a. KEMRI was ranked number one in health research innovation in Africa, for the period 2018 to 2021 according to the authoritative Global Information Analytics Giant, Scimago Institutions Ranking.
- b. KEMRI was awarded the 16th (2020) JICA President award for its contribution to diagnostics and research in human health especially during the COVID-19 pandemic
- c. COVID 19 diagnostic evaluation center by Africa CDC
- d. COVID 19 sequencing reference center for Africa by WHO

ix) The following infrastructure was also upgraded during the period:

- Procurement of Research Equipment
- Upgrading of laboratories
- Construction of Kirinyaga research building
- Installation of CCTV, barrier access control

9. Environmental and Sustainability Reporting

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

i) Sustainability strategy and profile

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

Outline efforts to safeguard consumer rights and interests.

v) Corporate Social Responsibility / Community Engagements

KEMRI TREE PLANTING EVENT HELD ON FRIDAY 27TH MAY 2022 AT KINALE FOREST.

1. Background.

The East African Wildlife Society (EAWS), Kenya Forest Service (KFS) and Kijabe Environmental Volunteers (KENVO) organized a tree-planting at the aforementioned date at Kinale Forest, Old Kijabe.

The initiative was part of the Forest Challenge rehabilitation programme that aims to raise funds to rehabilitate at least 600 hectares (equivalent to planting at least 600,000 trees) of the country's key water towers between the year 2021 and 2030, the United Nations Decade for Ecosystem Restoration. So far, KFS has procured 27,000 tree seedlings, which is equivalent of planting 27 hectares of forest. KFS has planted 15,100 tree seedlings in Mau Forest and Aberdare Forest.

2. PARTICIPATION OF THE KEMRI TEAM.

A strong team of about 15 staff was led by the Ms. Lydia Jepkosgei, who coordinated the tree planting exercise. As part of the Corporate Social Responsibility activity, KEMRI participated in the event as a bid to show their support in forest rehabilitation for a better environmental future. As a Medical Research Institute, and in line with our motto "In search of better Health" trees play a key role in medicinal value as some are used as herbal medicines to cure various diseases.

3. OBJECTIVES.

- To support through raising funds so as to rehabilitate forests for a better future
- To create public awareness on the role of KEMRI in supporting CSR activities that are in line with our motto "In Search of Better Health"
- To support livelihoods and the survival of wildlife ecosystems

4. RECOMMENDATIONS AND WAY FORWARD

Early planning such as the prior communication of the event brought about a positive impact on the smooth planning and coordination of the event hence having a productive tree-planting outcome with KEMRI being among the top with the highest number of tree-seedlings planted by the team.

KEMRI was also well branded at the event with its Media team taking the opportunity to take photographs of the event which was a success.

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Some of KEMRI staff posing for a picture with KFS staff as well as some of other participating partners



Some of KEMRI staff planting trees



KEMRI participants after completing the tree-planting exercise

10. Report of the Directors

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

i) Principal activities

The principal activities of the entity are to conduct Human Health Research

ii) Results

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

iii) Directors

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

iv) Surplus remission

The Entity did not make any surplus during the year (FY 2021 Kshs Nil) and hence no remittance to the Consolidated Fund.

v) Auditors

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

By Order of the Board



.....
Name *Martin Machira*

Corporate Secretary/Secretary to the Board

11. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, - and the Science and Technology (Repealed) Act, Cap 250 Laws of Kenya, subsequently under the Science, Technology and Innovation Act, 2013 and as currently established under Legal Notice No. 35 of 31st March 2021, which require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

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

The Directors accept responsibility for KEMRI financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Science and Technology (Repealed) Act, Cap 250 Laws of Kenya, subsequently under the Science, Technology and Innovation Act, 2013 and as currently established under Legal Notice No. 35 of 31st March 2021, The Directors are of the opinion that the KEMRI financial statements give a true and fair view of the state of KEMRI transactions during the financial year ended June 30, 2022, and of the KEMRI financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the


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adequacy of the systems of internal financial control. During the financial year 2021/22 a deficit of ksh.475,944,330 was realized hence non-remittance to the consolidated fund.

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

Approval of the financial statements

KEMRI's financial statements were approved by the Board on 7th October 2022 and signed on its behalf by:


.....
Name Dr. Abdulahi Ali
Chairperson of the Board/Council


.....
Name Prof. E. Songok
Accounting Officer

11. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, - and the Science and Technology (Repealed) Act, Cap 250 Laws of Kenya, subsequently under the Science, Technology and Innovation Act, 2013 and as currently established under Legal Notice No. 35 of 31st March 2021, which require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

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

Approval of the financial statements

KEMRI's financial statements were approved by the Board on 7th October 2022 and signed on its behalf by:



.....
Name Dr. Abdulahi Ali
Chairperson of the Board/Council



.....
Name Prof E. Songok
Accounting Officer

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NAIROBI

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Kenya Medical Research Institute set out on pages 1 to 58, which comprise of the statement of financial position

as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects 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 Medical Research Institute as at 30 June, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Science, Technology and Innovation Act, 2013 the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variance in Development Conditional Grants

The statement of financial performance reflects revenue from non-exchange transaction transfer from Ministry of Health balance of Kshs.2,851,905,543 which, as disclosed in Note 6 to the financial statements includes development conditional grants balance of Kshs.249,405,543. However, review of the bank statements revealed development Exchequer receipts amounting to Kshs.178,650,000 resulting to unexplained variance of Kshs.70,755,543.

In the circumstances, the accuracy and completeness of development conditional grants balance of Kshs.249,405,543 could not be confirmed.

2. Staff Retirement Benefit Scheme Liability

As disclosed in Note 11 to the financial statements, the statement of financial performance reflects use of goods and services balance of Kshs.812,803,402 out of which an amount of Kshs.70,517,412 relates to Deferred Pension Scheme (DBS) expenditure made to Kenya Medical Research Institute (KEMRI) Staff Retirement Benefit Scheme being to loss of funds by the former pension trustees. However, documents provided for audit revealed that KEMRI was absolved from all liabilities and therefore the basis of making this payment was not supported by the approvals from the Board. Further, the amount was not supported by any ledger showing total liability and amounts paid to date.

In the circumstances, the obligation to the Differed Pension Scheme (DBS) of Kshs.70,517,412 could not be confirmed.

3. Undisclosed Motor Vehicles

The statement of financial position reflects property, plant and equipment balance of Kshs.19,933,668,531 as at 30 June 2022 which, as disclosed in Note 24 to the financial

statements includes a balance of Kshs.145,984,069 in respect to motor vehicles. However, review of the logbooks revealed that sixty-six (66) motor vehicles were not disclosed in the fixed assets register and their value was not reflected in the financial statements.

In the circumstances, the disclosure and fair value of motor vehicle could not be confirmed.

4. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.695,536,433 which, as disclosed in Note 27 to the financial statements includes suppliers control account balance of Kshs.311,502,429. However, the invoices, contracts and other supporting documents were not provided for audit review. Further, the balance includes unremitted statutory and staff deductions balance of Kshs.115,024,963 and Kshs.131,387,560, respectively, which were not supported by schedules from payroll confirmation. Failure to submit deductions on the due dates exposes the organization to unnecessary charging of interests and penalties.

In the circumstances, the accuracy and fair statement of trade and other payables from exchange transactions balance of Kshs.695,536,433 could not be confirmed.

5. Unconfirmed Consumption of Fuel

The statement of financial performance reflects use of goods and services amount of Kshs.812,803,402 as disclosed in Note 11 to the financial statements. Included in the amount is transport expenses amounting to Kshs.42,584,365. Review of the suppliers' fuel statements revealed expenditure balance of Kshs.24,120,344 in respect of sixteen (16) fuel cards that were not assigned to specific vehicles and therefore prone to misuse

In the circumstances, the propriety of expenditure of Kshs.24,120,344 could not be confirmed.

6. Unsupported Expenditure-compensation of Employees

The statement of financial performance reflects an amount of Kshs.2,576,755,036 in respect to compensation of employees. Analysis of the payroll revealed that Kshs.98,417,206 was captured in the bank remittance but was not captured in the payroll system. Further, the complement data for compensation of employees-collaborators indicating key information such as job group, duration of the project, KRA PIN, ID number among others was not provided for audit.

In the circumstances, the accuracy and completeness of compensation of employees of Kshs.2,576,755,026 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Medical Research 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

Material Uncertainty to Going Concern

The statement of financial performance reflects a deficit of Kshs.492,944,330 in comparison with deficit of Kshs.272,161,916 for the comparative period leading to a decline in the accumulated reserves balance from Kshs.1,221,187,024 in 2020/21 to Kshs.728,242,694 in the current period. If the trend continues into the foreseeable future, the Institute may not be in a position to meet its obligations as and when they fall due. The Institute sustainability of research services is heavily dependent on continued financial support by the Government, collaborators/ donors and creditors.

My opinion is not modified with respect to the above 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.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

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. Unapproved Mortgage Fund

The statement of financial position reflects cash and cash equivalents balance of Kshs.832,176,653 (2021 – Kshs.640,677,300) which, as disclosed in Note 19 to the financial statements includes mortgage fund account balance of Kshs.143,621,426. The Institute entered into an agreement with a bank to provide employees with special housing scheme. However, there was no approval from the Cabinet Secretary to manage this Fund. This was contrary to Regulation 207 (1) (g) of the Public Finance Management (National Government) Regulations, 2015 which requires the Cabinet Secretary to grant approval in writing before establishment of a Fund.

Further, the Fund's financial statements were not prepared contrary to Section 81(1) & (4) of the Public Finance Management Act, 2012 which requires an Accounting Officer for a National Government entity to prepare financial statements and submit the same to the Auditor-General.

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

2. Irregular Direct Procurement

As disclosed in Note 17 to the financial statements, the statement of financial performance reflects collaborators expenses balance of Kshs.4,960,874,597 which includes a balance of Kshs.182,208,609 in respect to laboratory supplies paid through cash advances to employees without adhering to procurement due process. This is contrary to the second schedule of the Public Procurement and Asset Disposal Regulation, 2020 which sets the maximum low value procurement at Kshs.50,000 per item per financial year.

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

3. Irregular Foreign Currency Accounts held at Commercial Banks

As disclosed in Note 19 (a) to the financial statements, the statement of financial position reflects cash and cash equivalent balance of Kshs.832,176,653 in respect of twenty-four (24) bank accounts. Included in this list are two (2) foreign currency accounts (Dollar and Euro Account) held at Kenya Commercial Bank. This was contrary to Regulation 76 (2) of the Public Finance (National Government Regulations) 2015 which requires all foreign currency designated bank accounts be kept at the Central Bank of Kenya unless exempted in writing by the Cabinet Secretary.

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

4. Non-Compliance with the One-Third of Basic Salary Rule

During the year ended 30 June, 2022, three hundred and twenty-six (326) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. Management has not explained the failure to comply with the policy.

In the circumstances, the Institute contravened Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 and this may expose the staff to pecuniary embarrassment.

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Officers in Acting Positions Beyond Six Months Period

The statement of financial performance reflects employee costs of Kshs.2,576,755,036 as disclosed in note 12 to the financial statements. Included in the amount is the salary for ten (10) officers in the management team in acting positions for more than six (6) months. This is contrary to Section C.14 (1) of the Human Resource Policies and Procedures Manual for the Public Service 2016 which states that "When an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, firm and effective decision making may not be realized.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and 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 Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the 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, revenue 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 revenue reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 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 review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls 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 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 continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

24 April, 2023

KENYA MEDICAL RESEARCH INSTITUTE
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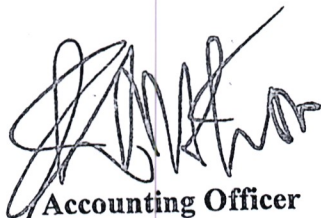
13. Statement of Financial Performance for the year ended 30 June 2022

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfer from Ministry of Health	6	2,851,905,543	2,577,644,999
Collaborators Funds	7	4,960,874,597	4,386,313,311
Revenue from exchange transactions			
Rental revenue from facilities and equipment	8	29,710,850	29,204,188
Finance income - external investments	9	26,064,017	42,651,930
Other income	10	466,841,531	559,946,835
Total revenue		8,335,396,539	7,595,761,262
Expenses			
Use of goods and services	11	812,803,402	740,465,351
Employee costs	12	2,576,755,036	2,473,540,993
Remuneration of directors	13	29,603,471	25,227,518
Depreciation and amortization expense	14	340,004,770	146,083,403
Repairs and maintenance	15	38,958,281	46,979,460
Contracted services	16	52,341,312	49,367,237
Collaborators Expenses	17	4,960,874,597	4,386,313,311
Total expenses		8,811,340,869	7,867,977,274
Other gains/(losses)			
Gain on sale of assets	18	-	54,097
Surplus/(deficit) for the period/year		(475,944,330)	(272,161,916)

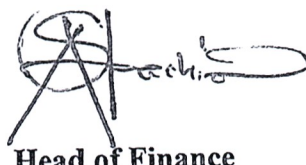
The notes set out on pages 7 to 37 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


 Accounting Officer

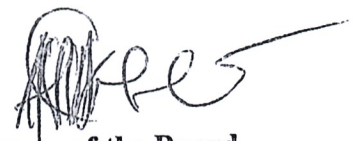
Name: Prof. E. Songok

Date 30/09/2022


 Head of Finance

Name ANTHONY WACHIRA
 ICPAK Member Number: 6547

Date 30/09/2022


 Chairman of the Board

Name: Dr. Abubakari AL

Date 7/10/2022

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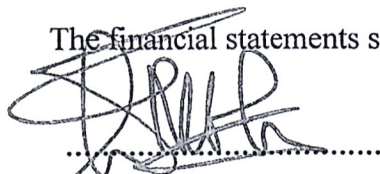
14 Statement of Financial Position as at 30 June 2022

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	19	832,176,653	640,677,300
Receivables from exchange transactions	20	800,272,962	611,108,467
Receivables from non-exchange transactions	21	139,371,855	411,818,522
Inventories	22	3,222,568	-
Investments	23	386,831,800	484,606,500
		2,161,875,839	2,148,210,790
Non-current assets			
Property, plant and equipment	24	19,933,668,531	20,109,646,431
Intangible assets	25	69,745,489	48,107,511
Investment property	26	931,542,692	952,751,998
		20,934,956,712	21,110,505,939
Total assets		23,096,832,552	23,258,716,729
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	27	695,536,433	627,522,544
Refundable deposits from customers	28	49,931,609	53,449,457
Grant funds	29	1,271,344,834	938,140,389
Bank Overdraft			
Deferred Income	30	111,876,257	195,516,589
		2,128,689,132	1,814,628,979
Net Assets		20,968,143,419	21,444,087,750
Capital replacement development reserve/Capital reserve		2,851,394,108	2,851,394,108
Revaluation reserve		17,371,506,618	17,371,506,618
Accumulated surplus		745,242,694	1,221,187,024
Total net assets and liabilities		20,968,143,419	21,444,087,750

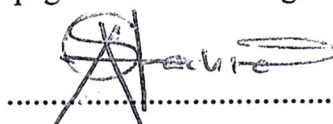
The financial statements set out on pages 7 to 37 were signed on behalf of the Board of Directors by:



Name

Accounting Officer

Date 30/09/2022

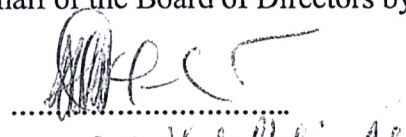


Name ANTHONY WACHIRA

Head of Finance

ICPAK Member Number: 6547

Date 30/09/2022



Name DR. Abubakari AL

Chairman of the Board

Date 07/10/2022

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for the year ended June 30, 2022.

15 Statement of Changes in Net Assets for the year ended 30 June 2022

	Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2020	2,851,394,108	17,371,506,618	1,384,965,695	21,607,866,421
Accumulated surplus/deficit adjustments			108,383,245	
Surplus for the period			(272,161,916)	
Balance as at 30 JUNE 2021	2,851,394,108	17,371,506,618	1,221,187,024	21,444,087,750
Accumulated surplus/deficit adjustments			-	
Surplus for the period			(475,944,330)	
Balance as at 30 JUNE 2022	2,851,394,108	17,371,506,618	745,242,694	20,968,143,419

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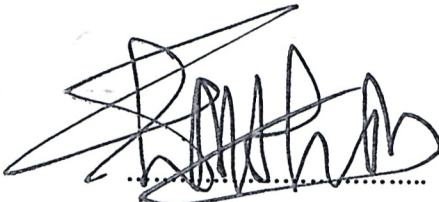
16. Statement of Cash Flows for the year ended 30 June 2022

		2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfer from Governments		2,851,905,543	2,577,644,999
Collaborators Funds		4,960,874,597	4,386,313,311
Rental revenue from facilities and equipment		29,710,850	29,204,188
Finance income - external investments		26,064,017	42,651,930
Revenue Generating Activities		152,870,451	268,529,464
Graduate Program (ITROMID)		26,773,611	18,924,515
Miscellaneous Income		5,756,072	3,134,278
Overheads		281,441,398	269,358,577
Total Receipts		8,335,396,539	7,595,761,262
Payments			
Use of goods and services		812,803,402	740,465,351
Employee costs		2,576,755,036	2,473,540,993
Remuneration of directors		29,603,471	25,227,518
Repairs and maintenance		38,958,281	46,979,460
Contracted services		52,341,312	49,367,237
Collaborators Expenses		4,960,874,597	4,386,313,311
Total Payments		8,471,336,099	7,721,893,871
Net cash flows from/(used in) operating activities	45	(135,939,560)	(126,132,609)
Cash flows from investing activities			
Decrease/(Increase) in receivables from exchange transactions		(189,164,495)	(611,108,467)
Decrease/(Increase) in receivables from non-exchange transactions		272,446,667	96,582,207
(Increase)/Decrease in Short term deposits		97,774,700	28,793,000
Increase in payables		68,013,888	(92,184,244)
Decrease in Deferred Income		(83,640,332)	23,956,363
Increase in Refundable deposits from customers		(3,517,848)	4,467,090
(Increase)/Decrease in Inventories		(3,222,568)	
(Decrease) in bank overdraft		-	(3,040)
Increase in Collaborators Funds - payment received in advance		333,204,444	86,169,746
Purchase of property, plant, equipment and intangible assets		(164,455,543)	(144,017,176)
Proceeds from sale of property, plant and		-	1,065,000

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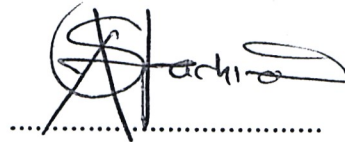
Adjustment on accumulated reserve		-	108,383,245
Net cash flows used in investing activities		327,438,913	(497,896,277)
Net increase/(decrease) in cash and cash equivalents		191,499,353	(624,028,887)
Cash and cash equivalents at 1 JULY		640,677,301	1,264,706,187
Cash and cash equivalents at 30 JUNE		832,176,655	640,677,301

The financial statements set out on pages 7 to 37 were signed on behalf of the Board of Directors by:



Name: Prof. Elijah Songok
 Accounting Officer

Date 30/09/2022



Name: Anthony Wachira
 Head of Finance

ICPAK M/No: 6547
 Date 30/09/2022



Name: Dr. Abdulahi Ibrahim
 Chairman of the Board

Date 07/10/2022

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17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022

	Original budget		Adjustments		Final budget		Actual on		Actual		Performance difference
	2021-2022		2021-2022		2021-2022		2021-2022		2021-2022		
	Kshs		Kshs		Kshs		Kshs		Kshs		Kshs
Revenue	2,602,500,000				2,602,500,000		2,602,500,000		2,602,500,000		-
GOK Recurrent	206,500,000				206,500,000		206,500,000		249,405,543		42,905,543
GOK Development	5,331,150,000				5,331,150,000		5,331,150,000		4,960,874,597		-370,275,403
Collaborators funds	402,747,305				402,747,305		402,747,305		287,197,470		-115,549,835
Sundry Income - Overheads	80,000,000		66,000,000		146,000,000		146,000,000		152,870,451		6,870,451
Rendering of services - Revenue Generating	37,500,000				37,500,000		37,500,000		26,064,017		-11,435,983
Finance Income - Interest on investments	16,500,000				16,500,000		16,500,000		26,773,611		10,273,611
Graduate School	30,000,000				30,000,000		30,000,000		29,710,850		-289,150
Rental income											
Retained Earnings			35,000,000		35,000,000						
Total income	8,706,897,305		101,000,000		8,807,897,305		8,772,897,305		8,335,396,539		-231,000,766
Expenses											
Compensation of employees-Exchequer	2,341,924,105				2,341,924,105		2,341,924,105		2,576,755,036		-234,830,931
Compensation of employees-Collaborators	3,198,690,000				3,198,690,000		3,198,690,000		3,294,360,119		-95,670,119
Goods and services-Exchequer	893,323,200				893,323,200		893,323,200		1,273,742,419		-380,419,219
Goods and services-Collaborators	2,132,460,000				2,132,460,000		2,132,460,000		1,666,514,477		465,945,523
Total expenditure	8,566,397,305		0		8,566,397,305		8,566,397,305		8,811,372,051		-244,943,564
Surplus for the period	140,500,000		101,000,000		241,500,000		206,500,000		-475,944,331		-475,944,331

for the year ended June 30, 2022.

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

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18. Notes to the Financial Statements

1. General Information

The Kenya Medical Research Institute (KEMRI) is a State Corporation established under The State Corporations Act, Legal Notice No. 35 as a Research Institute under Section 16 (2) and Section 53 as read with the Fourth Schedule of the Science, Technology and Innovation Act, 2013 as the national body responsible for carrying out health research, innovation, capacity -building and service delivery for the improvement of human health and quality of life, and advice the Government on matters related thereto.

2. Statement of Compliance and Basis of Preparation

The Institute'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 Institute. The institute has changed from IFRS to IPSAS in order to comply with the Public Finance Act (2000)

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

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*
 IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.
- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	Applicable 1st January 2023 <ul style="list-style-type: none"> <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). <ul style="list-style-type: none"> <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. <ul style="list-style-type: none"> IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023.

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Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in year 2021/2022.

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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 from Exchequer and other collaborative partners are measured at fair value and recognized on obtaining control of the asset cash, 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 Institute 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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the 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 2021-2022 was approved by the National Assembly on *April 2021*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded additional appropriations on budget following the governing body's approval.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

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 page 6 of these financial statements.

e) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

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

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

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

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

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

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

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

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

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Institute 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.

Depreciation of fixed assets is calculated to write down the cost over their estimated useful lives on a straight-line basis. The rates were amended for the FY2021-2022 as follows:

Office and residential buildings	2.0%
Office and medical equipment	12.5%
Office furniture	12.5%
Motor Vehicle	16.67%
Computer and related equipment	30%
Boat	5%
Intangible assets-IPSAS 31	12.5%

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f) Intangible assets

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets are amortized at the rate of 12.5% with an expected life of eight years. The useful life of the intangible assets is assessed as either finite or indefinite.

g) Research and development costs

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

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

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

h) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Held-to-maturity.

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

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The 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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Loans and borrowing

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

i) Inventories

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Entity*.

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Contingent liabilities

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

l) Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic

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benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

m) Nature and purpose of reserves

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

Changes in accounting policies and estimates

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

n) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

o) Foreign currency transactions

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

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

q) Related parties

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

r) Service concession arrangements

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

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

s) Cash and cash equivalents

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

t) Comparative figures

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

u) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

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Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual value

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

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Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	2021-2022	2020-2021
	KShs	KShs
Conditional grants		
Recurrent	2,602,500,000	2,362,999,999
Development	249,405,543	206,200,000
Emergency Funds-COVID		8,445,000
Total government grants and subsidies	2,851,905,543	2,577,644,999

(Explain the purpose of funding)

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

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2021-2022
			KShs	KShs	KShs
Ministry of Health - Recurrent	2,602,500,000				2,602,500,000
Research & Development Grant	249,405,543				249,405,543
Total	2,851,905,543				2,851,905,543

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Notes to the Financial Statements (Continued)

7. Collaborators Funds

Description	2021-2022	2020-2021
	KShs	KShs
Collaborators Funds	4,960,874,597	4,386,313,311
Contributed revenue		
Total revenue from the rendering of services	4,960,874,597	4,386,313,311

8. Rental Revenue from Facilities and Equipment

Description	2021-2022	2020-2021
	KShs	KShs
Rent from Institutional houses	29,710,850	29,204,188
Contingent rentals		
Total rentals	29,710,850	29,204,188

9. Finance Income

Description	2021-2022	2020-2021
	KShs	KShs
Cash investments and fixed deposits	-	13,087,948
Interest income from Treasury Bills	26,064,017	29,563,982
Total finance income – external investments	26,064,017	42,651,930

10. Other Income

Description	2021-2022	2020-2021
	KShs	KShs
Revenue Generating Activities	152,870,451	268,529,464
Graduate Program (ITROMID)	26,773,611	18,924,515
Miscellaneous Income	5,756,072	3,134,278
Sundry Income - Overheads	281,441,398	269,358,577
Total other income	466,841,531	559,946,835

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Notes to the Financial Statements (Continued)

11. Use of Goods and Services

Description	2021-2022	2020-2021
	KShs	KShs
Electricity	92,930,518	83,890,763
Water	8,334,461	8,529,399
Subscriptions	3,420,460	3,186,728
Laboratory reagents & supplies	29,787,628	66,168,921
Purchase of drugs & dressings/staff clinic	2,425,413	2,034,817
Purchase of animal feeds	279,137	14,800
Research Programs -Internal	35,101,148	32,242,776
Research funding	42,000	19,210,000
Research Materials	725,715	450,001
Incineration Services	-	1,206,484
Graduate School Charter	17,766,712	3,275,080
Commercial Enterprise Purchase A/C	46,962,681	95,790,438
Research Grants Coordination	12,803,885	181,200
Transport	42,584,365	17,644,151
Travelling & accommodation	73,698,398	54,770,458
Legal expenses	14,107,377	13,444,980
External travelling & accommodation.	13,639,794	2,205,598
Postal & telegrams	1,783,169	399,134
Telephones	4,725,687	3,218,401
Official entertainment	845,199	58,194
Conferences, Seminars & Workshops	26,506,846	9,362,725
Purchase of consumable stores	500,431	69,638,003
Publishing & printing	2,116,784	4,291,179
Purchase of uniforms & clothing	1,611,000	1,343,189
Library Expenses	1,247,180	76,800
Purchase of stationery	10,079,355	8,411,186
Advertising, publicity & shows	8,916,108	8,945,032
Industrial Diesel	2,190,624	18,117,946
Rents and rates	1,253,039	3,147,852
Computer Expenses	9,071,684	6,494,925
Internet service	19,089,786	15,471,503
Miscellaneous	1,079,187	1,776,331
Audit Fees	2,101,666	1,392,000

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Fees Commission & Honoraria	10,398,989	5,592,500
Training	28,481,926	21,240,629
Insurance - Fire and burglary	4,376,900	
Insurance - Motor Vehicle	12,221,192	10,181,652
Prevention of Drugs & Substance Abuse	1,072,150	162,186
Financial control & Inspections/Int audit	9,270,855	7,665,740
Staff Welfare	1,077,845	19,169,037
Strategic Initiatives	41,401,666	31,106,934
Gender Mainstreaming	220,400	
Disability Mainstreaming		
Bank Charges	2,912,752	4,069,525
Valuation of Fixed Assets	582,500	1,186,400
Devolution Expenses	813,090	1,334,900
Remittances-JKUAT	9,336,870	
Human Resource Consultancy	6,481,315	726,137
HIV Awareness	187,650	175,200
CDC Debts Repayment	98,022,368	3,035,198
ERP License	11,250,400	6,861,632
Corruption Eradication	379,200	
CCR catering services	5,968,348	4,506,184
COVID-19	7,548,140	10,359,011
Calibration of Assets	2,553,997	6,701,494
Pension Scheme- DBS	70,517,412	50,000,000
Total good and services	812,803,402	740,465,351

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Notes to the Financial Statements (Continued)

12. Employee Costs

	2021-2022	2020-2021
	KShs	KShs
Basic Salary	1,418,152,907	1,320,215,004
Gratuity & pension contribution	243,016,402	200,373,756
House allowance	331,294,871	303,016,542
Other allowance	392,893,375	497,381,360
Medical allowance		
Passages & leave	6,681,000	6,114,500
Staff Insurance	48,868,830	17,945,721
Medical & Ex-gratia	135,847,653	128,494,110
Employee costs	2,576,755,036	2,473,540,993

13. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Sitting Allowance	9,859,055	9,833,256
Travel & Accommodation	16,302,610	11,167,831
Official Entertainment	1,182,206	469,500
Insurance	103,000	37,800
Honoraria	960,000	800,000
Telephone	72,000	60,000
Training	1,124,600	2,859,132
Total Board Expenses	29,603,471	25,227,518

14. Depreciation and Amortization Expense

Description	2021-2022	2020-2021
	KShs	KShs
Property Plant and Equipment	299,310,404	107,941,307
Investment Property	21,209,306	10,606,177
Intangible Assets	19,485,061	27,535,919
Total depreciation and amortization	340,004,770	146,083,403

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Notes to the Financial Statements (Continued)

15. Repairs and Maintenance

Description	2021-2022	2020-2021
	KShs	KShs
Maintenance. -Plant, mach.& equip.	12,675,289	20,774,507
Maintenance - buildings & stations	25,918,250	25,717,953
Maintenance of Water & Sewer	364,742	487,000
Total repairs and maintenance	38,958,281	46,979,460

16. Contracted Services

Description	2021-2022	2020-2021
	KShs	KShs
Security Expenses	32,702,873	30,083,781
Contracted Services - Cleaning	19,638,439	19,283,456
Total contracted services	52,341,312	49,367,237

17. Collaborators Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Staff Costs	3,294,360,119	2,601,284,872
Bank Charges	2,153,167	1,984,535
Training	8,538,291	12,016,457
Laboratory Supplies	182,208,609	82,794,089
Travelling and Accommodation	235,562,528	142,473,289
Motor Vehicle Expenses	39,987,318	23,946,711
Purchase of assets	109,171,232	18,119,220
Other Operating Expenses	1,088,893,334	1,503,694,137
Total Collaborators Expenses	4,960,874,597	4,386,313,311

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18. Gain on Sale of Assets

Description	2021-2022	2020-2021
	KShs	KShs
Proceeds on sale	-	1,065,000
Accumulated Depreciation	-	9,418,097
Disposed Assets at cost	-	(10,429,000)
Total gain on sale of assets	-	54,097

19. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	KShs	KShs
Current account	832,176,653	640,677,300
Cash at Hand	-	-
Total cash and cash equivalents	832,176,653	640,677,300

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

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
a) Current account			
KCB			
Exchequer	1104161362	1,672,286.49	106,558,696
ITROMID Account	1104167611	34,954,560.86	42,116,191
RGA	1104174529	28,092,366.76	43,583,728
Production Department	1104166194	4,557,805.95	1,810,519
Conference Collection	1112776850	12,394,391.30	8,443,435
External Grants	1104158574	378,180,531.15	188,545,254
RCTP	1104166879	-	-
IPM	1110258925	120.00	8,997,619
KEMRI CDC	1104175975	1,018,910.56	1,019,111
Local Grants	1104161966	46,867,483.70	5,270,148
Dollar Account	1168110491	27,201,093.55	-
Euro Account	1170930956	-	-
CDC/Non Grants Accounts	1123818177	2,227,014.75	2,228,140
Welcome Trust	1110259204	7,889,458.65	8,896,927
CDC Research Grants	1101722291	93,540,041.88	58,643,876
Family Bank			
Mortgage Account	46000014289	143,621,425.83	143,621,426

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Kemri Oxford University	46000012346	182,556.49	182,556
Cooperative bank			
CNHR RLGA	1128126178201	197,266.11	195,406
CNHR RLGA	1128126178200	3,671,069.98	3,688,500
CNHR RLGA	,1128126178202	285,780.92	282,741
CNGR RLGA	1128126178203	15,095,971.78	13,165,698
KEMRI IPM SUBA	1128126178700	2,937,742.85	2,953,583
KEMRI EAST AFRICA	,1128126671100	27,588,775.83	473,748
KEMRI/EDCPT	,1128127558400		
Sub- total		832,176,655	640,677,300
cash in hand		-	-
M pesa		-	-
Sub- total		-	-
Grand total		832,176,655	640,677,300

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20. Receivables from Exchange Transactions

20(a) Receivables from Exchange Transactions (Current)

	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Graduate school – Outstanding Fees	109,733,250	106,128,450
Interest Recievable	11,431,734	761,217
Sande Makhandia & Co. Advocates	120,000,000	120,000,000
Ngetich Ciira Advocates	5,848,220	5,848,220
Advances to Centres	61,741,891	183,935,605
Staff advances	320,192,967	84,461,574
Over remitted Statutory Deduction	71,026,348	770,612
Miscellaneous	22,235,595	86,860,920
Customers/suppliers Control Account	194,702,344	98,183,463
Net Salary Payable	46,970,105	87,767,898
Total Receivables	963,882,454	774,717,959
Less: impairment allowance	(163,609,492)	(163,609,492)
Total current receivables	800,272,962	611,108,467

20 (b) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Impairment allowance/ provision	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	163,609,492	163,609,492
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	163,609,492	163,609,492

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21. Receivables from Non-Exchange Transactions

Description	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Capitation-Recurrent	139,371,855	411,818,522
Total Receivables	139,371,855	411,818,522
Less: impairment allowance	-	-
Total current receivables	139,371,855	411,818,522

22. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Other goods held for resale	3,222,568	-
Total inventories at the lower of cost and net realizable value	3,222,568	-

23. Investments

Description	2021-2022	2020-2021
	KShs	KShs
CBK-Treasury Bills	386,831,800	484,606,500
CBK-Fixed Account	-	-
Grand total	386,831,800	484,606,500

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24. Property, Plant and Equipment

	LAND	OFFICE BUILDING	ROADS	MOTOR VEH.	MOTOR BOAT	FURNITURE	COMPUTER	OFFICE & MEDICAL EQUIPMENT	CAPITAL WORK IN PROGRESS	TOTAL
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 30th June 2020	15,767,933,880	3,960,568,368	30,508,190	345,610,842	2,638,103	98,958,113	175,038,514	879,379,466	-	21,260,635,476
Additions	-	14,835,699	6,593,535	15,639,000	-	12,559,227	16,903,784	49,002,485	6,360,299	121,904,029
Disposals				(10,429,000)						(10,429,000)
Revaluation										
Transfers/adjustments										
At 30th June 2021	15,767,933,880	3,975,404,067	37,101,725	350,820,842	2,638,103	111,527,340	191,942,298	928,381,951	6,360,299	21,372,110,505
Additions	-	18,276,172	-	17,589,750	-	7,301,737	8,866,320	43,314,165	27,984,359	123,332,503
Disposals										
Transfer/adjustments										
At 30th June 2022	15,767,933,880	3,993,680,240	37,101,725	368,410,592	2,638,103	118,829,077	200,808,618	971,696,116	34,344,658	21,495,443,008
Depreciation and impairment										
At 30th June 2020	-	454,788,332	762,705	160,331,995	1,187,145	26,001,980	132,172,605	388,696,102	-	1,163,940,863
Depreciation		39,693,237	918,941	16,392,974	132,367	2,780,262	24,860,414	23,163,114		107,941,307
Disposals				(9,418,097)						(9,418,097)

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25. Intangible Assets

Description	2021-2022	2020-2021
	KShs	KShs
Cost		
At beginning of the year	177,936,111	160,543,308
Additions—internal development	41,123,040	17,392,803
At end of the year	219,059,151	177,936,111
Amortization and impairment		
At beginning of the year	129,828,601	102,292,681
Amortization	19,485,061	27,535,919
At end of the year	149,313,662	129,828,601
NBV	69,745,489	48,107,511

26. Investment Property

Description	2021-2022	2020-2021
	KShs	KShs
At beginning of the year	1,060,465,279	1,055,744,934
Additions	-	4,720,345
At end of the year	1,060,465,279	1,060,465,279
Depreciation		
At beginning of the year	107,713,281	97,107,104
Depreciation	21,209,306	10,606,177
At end of the year	128,922,587	107,713,281
NBV	931,542,692	952,751,998

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

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27. Trade and Other Payables

Description	2021-2022	2020-2021
	KShs	KShs
Graduate School prepayments	24,271,738	23,258,107
Mortgage Scheme	76,696,566	76,692,566
Retention Money	25,082,611	26,252,123
Un-remitted Statutory Deductions	115,024,963	120,234,498
Staff Over deductions	-	-
Advances to Centres	-	-
Suppliers Control Account	311,502,429	282,869,955
Unremitted staff deductions	131,387,561	92,197,078
JKUAT Remittance	4,533,450	53,753
External Grants	7,037,115	5,964,464
Total trade and other payables	695,536,433	627,522,544

28. Refundable Deposits and Prepayments from Customers

Description	2021-2022	2020-2021
	KShs	KShs
Caution Money	5,393,000	5,016,000
Research Fees	204,669	204,669
Other Deposits	44,333,940	48,228,788
Total Refundable Deposits from Customers	49,931,609	53,449,457

29. Grant Fund

Description	2021-2022	2020-2021
	KShs	KShs
Current Account	1,271,344,834	938,140,389
Fixed Deposit		
Total deposits	1,271,344,834	938,140,389

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30. Deferred Income

Description	2021-2022	2020-2021
	KShs	KShs
National government	111,876,257	195,516,589
Collaborators		
Total deferred income	111,876,257	195,516,589

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31. Cash Generated from Operations

	2021-2022	2020-2021
	KShs	KShs
Cash flows from operating activities		
Receipts		
Transfer from Governments	2,851,905,543	2,577,644,999
Collaborators Funds	4,960,874,597	4,386,313,311
Rental revenue from facilities and equipment	29,710,850	29,204,188
Finance income - external investments	26,064,017	42,651,930
Revenue Generating Activities	152,870,451	268,529,464
Graduate Program (ITROMID)	26,773,611	18,924,515
Miscellaneous Income	5,756,072	3,134,278
Overheads	281,441,398	269,358,577
Total Receipts	8,335,396,539	7,595,761,262
Payments		
Use of goods and services	812,803,402	740,465,351
Employee costs	2,576,755,036	2,473,540,993
Remuneration of directors	29,603,471	25,227,518
Repairs and maintenance	38,958,281	46,979,460
Contracted services	52,341,312	49,367,237
Collaborators Expenses	4,960,874,597	4,386,313,311
Operating Expenses	-	-
General Expenses	-	-
Total Payments	8,471,336,099	7,721,893,871
Net cash flows from/(used in) operating activities	(135,939,560)	(126,132,609)
Cash flows from investing activities		
Decrease/(Increase) in receivables from exchange transactions	(172,164,495)	(611,108,467)
Decrease/(Increase) in receivables	272,446,667	96,582,207
(Increase)/Decrease in Short term deposits	97,774,700	28,793,000
Increase in payables	68,013,888	(92,184,244)
(Increase)/Decrease in Inventories	(3,222,568)	-
Decrease in Deferred Income	(83,640,332)	23,956,363
Increase in Refundable deposits from customers	(3,517,848)	4,467,090
(Decrease) in bank overdraft	-	(3,040)
Increase in Collaborators Funds - payment received in advance	333,204,444	86,169,746
Purchase of property, plant, equipment and intangible assets	(164,455,543)	(144,017,176)
Proceeds from sale of property, plant and	-	1,065,000
Adjustment on Intangible assets accumulated Depreciation	-	-
Adjustment on accumulated reserve	-	108,383,245
Net cash flows from operating activities	191,499,353	(624,028,886)

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32. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Entity did not make any surplus during the year (FY 2021/221) and hence no remittance to the Consolidated Fund.

33. Outstanding Funds.

During the financial year 2021/2022 the development budget from Exchequer funding was Kshs 206,500,000, however during the year Kshs 178,550,000 was received, with an outstanding amount of Kshs 27,850,000. In the Financial year 2017/2018 recurrent capitation of Kshs 152,954,293 was not received from the ministry. The Institute is following up with the Ministry of Health for the remittance of the outstanding amounts.

34. Mtwapa Land.

KEMRI has a parcel of land located in Mtwapa, Kilifi County of L.R No. MN/III/1676 measuring 0.0454 hectares, however the institute awaits the valuation report to be able to include the parcel in the fixed asset register.

35. Related Party Disclosures

KEMRI Staff Retirement Benefit Scheme. The pension fund lost Kshs 597,000,000.00 in the hands of the former trustees and the Institute has been making a payment to the scheme. However, the case is being handled by the E.A.C.C and asset recovery is ongoing from the former Trustee.

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19. Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1 1.1	<p>Inaccuracies in the Financial Statement</p> <p>Unexplained adjustments</p> <p>The statement of changed in net assets reflects an accumulated surplus of Kshs. 1,221,187,024 included in the balance is an adjustment of Kshs.108,383,245 which was not explained with an explanatory note, contrary to the provisions of paragraphs 48 and 54 of the International Public Sector Accounting Standards (IPSAS) 3 which requires disclosure and correction of prior period errors</p>	<p>This was health insurance double charged in the year under review and reversed.</p>	<p>Director Corporate Services</p>	<p>Resolved</p>	
1.2	<p>Errors in the statement of Cash Flows</p> <p>The statement of cash flow reflects cash inflow from operating activities of Ksh.7, 595,761,262 out of which an amount of Kshs.411, 818,522 relates to capitation from the Government which was not received during the year under review. Further, cash outflow of Kshs.19, 283,456 for cleaning services and Kshs.1, 392,000 for audit services</p>	<p>KEMRI is on accrual basis of accounting hence the cleaning services were accrued in the period incurred not paid.</p>	<p>Director Corporate Services</p>	<p>Explanatory notes issued to OAG</p>	

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	which were not paid during the year under review.				
1.3	<p>Inaccurate commercial Enterprise Purchase Account</p> <p>The statement of financial performance reflects use of goods and services of Kshs.740, 456,351 as disclosed in Note 6 to the financial statements. The amount include commercial enterprise purchase account of Kshs.95, 790,438, which excludes an amount of Kshs.12,000,000 paid to a firm for the supply of a chlorine-based stabilized decontaminant.</p> <p>Further the institute paid an amount of Kshs.15, 896,000 for the supply of ethanol. However, the ethanol delivered to the companies was used solely for the manufacture of the Kemrub sanitizers.</p> <p>In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.</p>	<p>This was an invoice for payment to stedam a supplier which was prior year adjustment and been paid in the year 2020.</p>	<p>Director Corporate Services</p>	<p>Resolved</p>	
2.	<p>Lack of Contract for Cleaning Services</p> <p>The statement of financial performance reflects an amount of Kshs.49.367, 237 in respect to contracted services as disclosed in Note 11 to the Financial statements. The amount includes expenditure of Kshs.19, 283,456 for cleaning services. As previously reported the Institute had contracted a company in September 2014 for cleaning services which was to run for eleven (11) months up to 31 July, 2015 at a monthly charge of Kshs.1, 602,563. The Management extended the contract for four (4) months to November 2015 to allow for a fresh tender to be concluded by the</p>	<p>A court ruling dated 6th May 2018 ordered for payment to Super Clean Shine Enterprises of Ksh. 48,076,890.00 for the period from December 2015 to May 2018. This</p>	<p>Director Legal services.</p>	<p>Not Resolved</p>	

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	<p>Institute. However, it was noted that the company continued offering services from December 2015 up to the time of this audit in March 2022. Available information indicated that a dispute arose between the contractor and the Management where upon the company sought legal redress. The matter is still in court awaiting determination.</p> <p>Further, it was noted that the expenditure of Kshs.19,283,456 was expense and recognized as trade payables in the financial statements contrary to provisions of IAS37 which recommends that matters in court should be disclosed as contingent liabilities.</p> <p>In the circumstances, the accuracy completeness and validity of the contracted cleaning services expenditure of Kshs.19,283,456 could not be confirmed.</p>	<p>payment was made on 8th June 2018 being the last payment made by KEMRI to the vendor. This is waiting for the certificate of delay from the magistrate court to enable us file an appeal in the high court.</p>			
3	<p>Property, plant and Equipment</p> <p>The statement of financial position reflects plant and equipment balance of Kshs.20,103,286,132 as disclosed IN note 20 to the financial statements. The balance includes three (3) parcels of land without values and whose title deeds were not provided for audit verification. Further included in property, plant and equipment balance is a parcel of land with a staff housing project valued at Kshs.4,143,768,160 on a 2.4282hactares piece of land in Nairobi, against which, a developer used the title documents as collateral to borrow funds from a local bank. However, as previously reported and in spite of the debt being fully settled, the title documents had not been discharged to the institute as at 30th June, 2021.</p>	<p>Raila Odinga Road formerly Mbagathi Way(2.4282 ha) The title was used by the developer as collateral to borrow funds from National Bank of Kenya. The loan was fully paid to the bank and the title has since moved from the bank and is with the National Treasury. National Treasury is in the process of transferring the title deed from</p>	<p>Director Legal Services & Corporation Secretary</p> <p>These are leasehold and titles are available.</p>		

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	<p>In addition, the institute awarded a contract for the construction of a boundary wall in Kirinyaga to a company on 30th August, 2017 at a contract sum of Kshs.57, 871,588</p>	<p>the developer's name to that of KEMRI.</p> <p>Taita Taveta (10Acres) and (5 Acres) These properties are yet to be officially handed over by the county government of Taita Taveta. The management is pursuing the same with the Principal Secretary Ministry of Lands.</p> <p>Busia (100 Acres) The documents for issuance of the title have been signed off by the county government of Busia and lodged at the National Lands Commission. Release of the title is awaited.</p> <p>Work In Progress amounting to Ksh. 32,785,481 recognized in financial</p>	<p>The title is available through with some errors with acreage and is under national treasury.</p> <p>Director Corporate Services</p> <p>Director Corporate Services</p>		
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	<p>for a period of thirty-six (36) weeks. As at 30th June, 2021 about three (3) years after the completion date, the value of work done was Kshs.50, 732,854 or 87.66%. However, this expenditure was not disclosed under capital work in progress in the property, plant and equipment movement schedule.</p> <p>Additionally, the property, plant and equipment balance include Kshs.400, 000,000 for a parcel of land in Mwea Kirinyaga measuring 40.29 hectares donated by the County Government of Kirinyaga which was not supported by a professional valuation report. On the contrary, the property, plant and equipment balance excluded a parcel of land in Kilifi township occupied by informal settlers.</p> <p>In the circumstances, the accuracy, ownership and completeness of property, plant and equipment balance of Kshs.20, 103,286,132 as at 30 June, 2021 could not be confirmed.</p>	<p>statements for 2021-2022 being laboratory building still under construction in Kirinyaga & 3 vehicles awaiting inspection & delivery.</p> <p>This property was valued by the public works and the market value is attached in the valuation report.</p>			
4	<p>Undisclosed disposal of Assets</p> <p>The statement of financial performance reflects gain on sale of assets of Kshs.54, 097 as disclosed in Note 15 to the financial statement being gain on disposal of six (6) motor vehicles. However, details on the disposal of these vehicles including the minutes from the disposal committee were not provided for audit review in addition, disposal committee minutes indicate that seven (7) vehicles were disposed at Kshs.1,299,824 but the amount was not reflected in the property, plant and equipment movement schedule. Similarly various items of furniture, electronics, medical equipment and laptops were disposed but the net book values, resale process and realized proceeds were not disclosed in the financial statements.</p>	<p>These assets are held by the projects (COAG) and were sold without being transferred to KEMRI. The disposal minutes have not been available to date to close this issue.</p>	Director Corporate Services		

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	<p>In the circumstances, the accuracy and completeness of gain on sale of assets of Kshs.54, 097 for the year ended 30 June, 2021 could not be confirmed.</p> <p>The audit was conducted in accordance with International standards of supreme audit institutions (ISSAIs). I am independent of Kenya Medical Research 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 responsibilities applicable in 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.</p>				
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	<p>Emphasis of Matter KEMRI Staff Retirement Benefit Scheme – Lost funds</p> <p>The statement of financial performance reflects is pf goods and services of Kshs.740,465,351 which includes pension scheme – DBS of Kshs.50,000,000 being the annual payments to the scheme to recover Kshs.597,000,000 which the scheme lost through former trustees. The Institute may be incurring further losses through annual payments of Kshs.50, 000,000.</p> <p>My opinion is not qualified in respect to this matter.</p>	<p>This certificate was availed to the external auditors (OAG) and the matter closed.</p>	<p>Director General</p>	<p>Resolved</p>	

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<p>Key audit matters</p> <p>Key Audit matters are those matter that in my professional judgement, are mist significant in the audit of the financial statements. There were no key audit matters to report in the year under review.</p> <p>Other Matter Budgetary Control and Performance</p> <p>During the year under review, the institute’s actual receipts amounted to Kshs.7, 595,761,262 against budgeted receipts of Kshs.8, 480,637,280 resulting in a revenue shortfall of Kshs.884, 876,018. Further, actual expenditure for the year amounted to Kshs.7, 867,977,273 against budgeted expenditure of Kshs.8, 347,823,627 resulting in an overall under absorption of Kshs.479, 846,354. The shortfall and underspending of the budget represents equivalent services budgeted for but not delivered.</p> <p>Conclusion</p> <p>As required by article 229(6) of the constitution 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.</p>	<p>Reduced activities due to COVID 19 which affected absorption of collaborators funds.</p>	<p>Director Corporate Services</p>	<p>Resolved (Improvement in the period under review)</p>	
<p>Emphasis of Matter KEMRI Staff Retirement Benefit Scheme – Lost funds</p> <p>The statement of financial performance reflects use of goods and services of Kshs.740,465,351 which includes pension scheme – DBS of Kshs.50,000,000 being the annual payments to the scheme to recover Kshs.597,000,000 which the scheme lost through former trustees. The Institute may be incurring further losses</p>				

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	<p>through annual payments of Kshs.50,000,000.</p> <p>My opinion is not qualified in respect to this matter.</p>				
	<p>Key audit matters</p> <p>Key Audit matters are those matter that in my professional judgement, are mist significant in the audit of the financial statements. There were no key audit matters to report in the year under review.</p>				

	<p>Other Matter</p> <p>Budgetary Control and Performance</p> <p>During the year under review, the institute's actual receipts amounted to Kshs.7, 595,761,262 against budgeted receipts of Kshs.8, 480,637,280 resulting in a revenue shortfall of Kshs.884, 876,018. Further, actual expenditure for the year amounted to Kshs.7, 867,977,273 against budgeted expenditure of Kshs.8, 347,823,627 resulting in an overall under absorption of Kshs.479, 846,354. The shortfall and underspending of the budget represents equivalent services budgeted for but not delivered.</p> <p>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</p> <p>Conclusion</p> <p>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.</p>				
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1	<p>Basis for conclusion</p> <p>Unapproved mortgage Fund</p> <p>The statement of Financial position reflects cans and cash equivalents of kshs.640, 677,300 as disclosed in Note16 to the financial statements. The amount includes mortgage account balance of Kshs.143, 621,425. The Institute entered into an agreement on 2 March, 2012 with a bank to provide employees with a special housing scheme. However, there was no approval from the Cabinet Secretary for the management of the funds. This is contrary to regulation 207(1)(g) of the Public Finance Management (National Government) regulation 2015 which requires the Cabinet Secretary to grant approval in writing before establishment of a Fund.</p> <p>Further, financial statements for the Funds were not prepared, contrary to section 81(1) &(4) of the Public Finance Management Act, 2012 which requires the Accounting Officer for a National Government to prepare Financial Statements and submit the same to the Auditor General.</p> <p>In the circumstances, Management was in breach of the law.</p>	The mortgage policy was approved by the board and has been aligned to the SRC guidelines.	Director Corporate Services		
2	<p>Collaborators Funds – Center for Geographical in Kilifi</p> <p>Note 2 to the Financial Statements reflects collaborators funds of Kshs.4,386,313,311 while note 2 reflects collaborators expenditure of Kshs.4,386,313,311. It was noted that the Kenya Medical Research Institute (KEMRI) entered into a memorandum of understanding with Oxford University and Welcome Trust on 09 December, 2016 for a period of five (5) years for the purpose of promoting high quality biomedical Research in Kenya. However, the following observations were made:</p>				

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2.1	<p>Program Assets Not in the name of the Institute Review of records provided for audit indicated the Center had twenty-nine (29) vehicles and forty-one (41) motor cycles that were registered in the name of welcome Trust Research Laboratories. This is contrary to Clause 9(a) of the Memorandum of Understanding between the Institute, Oxford University and Welcome Trust which requires all Scientific or other equipment funded by the Trust to belong to KEMRI, should the Program activities come to an end.</p>	<p>The vehicles were procured as per PPAD and have been registered under KEMRI. We have all logbooks as evidence for this and captured in our CGMRC procurement.</p>	<p>Director General/Deputy Director CGMRC</p>	<p>This is resolved</p>	
2.2	<p>Unconfirmed Procurement of Motor Vehicles and Motorcycles Asset Management records indicated that KEMRI Wellcome Trust Research Project purchased twenty-one(21) motor vehicles and thirty(30) motorcycles amounting to Kshs.82,723.984. Although the Center has been granted exemption from import duty on goods procured under the KEMRI Welcome Trust Research Projects, details on the importation of these vehicles and motorcycles were not provided.</p>	<p>The vehicles were procured as per PPAD and have been registered under KEMRI. We have all logbooks as evidence for this and captured in our CGMRC procurement.</p>	<p>Director General/Deputy Director CGMRC</p>	<p>This is resolved</p>	
2.3	<p>Cash Purchase of Goods, Works and Service Review of the collaborators expenditure revealed that , the Institute incurred an expenditure of Kshs.52,603,613 for purchase of goods, works and services of various research projects through cash payments by employees without following the due procurement process. This is contrary to the second schedule of the Public Procurement and Asset Disposal Regulations, 2020 which sets the maximum low value procurement at Kshs.50,00 per item per financial year.</p>	<p>Procurement officers deployed to centre and delegated authority to centre directors in Kisumu and busia kshs 250,000.00</p>	<p>Deputy Director CGMRC & Deputy Director Supply Chain Management</p>	<p>This is work in progress</p>	

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2.4	<p>Collaboration at Kilifi KEMRI Centre</p> <p>The Institution sought an advisory opinion from the Attorney General in May 2016 on the transfer of immunities and privileges enjoyed by Wellcome Trust and Oxford to African Research for Collaboration Health Limited (ARCH) which was declined vide a letter dated 13th July 2016. The Attorney General noted that they are distinct and the privileges enjoyed by Wellcome Trust and Oxford cannot be transferred to African Research for Collaboration Health Limited which is a company incorporated under the Companies Act Cap 486 of the laws of Kenya. However, during the year under review, a total sum of Kshs.1,681,937,533 was received in KEMRI-Oxford University bank account from African Research for Collaboration Health Limited without a collaborative framework. ARCH which operates at the Kilifi KEMRI Centre, recognizes property and equipment acquired through the donor funds and prepares its own financial statements which are audited by a private auditor.</p> <p>In the circumstance, Management was in breach of the law.</p> <p>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.</p> <p>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</p>	<p>The funding of KEMRI-Wellcome has been under the Appropriation in Aid 'AID' model as per point 2.3 of the Funding agreement between Wellcome and GoK.</p> <p>A high level meeting between the Welcome trust /Oxford and KEMRI senior management was held on 25th October 2022 and a planned meeting between the board and welcome trust will be arranged to close this issue.</p>	Director General	Not Resolved	
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	<p>Conclusion</p> <p>As required by section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.</p>				
1.	<p>Basis of Conclusion</p> <p>Officers in Acting Positions Beyond Six Months</p> <p>The statement of financial performance reflects employees costs of Kshs.2,473,540,993 as disclosed in Note 7 to the financial statements. Included in the amount is salary for five (5) officers in the management team who have been acting in those positions for more than six (6) months. This is contrary to Section C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that, when an officer is eligible for appointment to a higher post and is called upon to act in the post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty per cent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The Board of Directors recommended that the recruitment of the 5 officers be conducted by an external consultant. So far, JKUATES Ltd has been contracted, however, these jobs openings are yet to be advertised.</p>	<p>Deputy Director Human Resource</p>	<p>Not Resolved but ongoing</p>	
2	<p>Net Pay Below a Third of the Basic Pay</p> <p>The statement of financial performance reflects employee costs of Kshs.2,473,540,993 and as disclosed in note 7 to the financial statements. Included in the amount are payments to three hundred and</p>	<p>Official letters regarding compliance with the two-thirds rule were made</p>	<p>Deputy Director Human Resource</p>	<p>Not Resolved but ongoing</p>	

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	<p>twenty-two (322) employees with net pay below a third of their basic pay. This is contrary to Section C. 1(3) of Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>to staff compelling them to advise the DDHR office the deductions that would be serviced off the payroll to ensure a basic salary above a 1/3 of their basic salary. 50 staff responded and their remedial action/advice was implemented. In addition, the payroll is now locked and does not allow net salaries below the 1/3 basic salaries.</p>			
3	<p>Failure to Maintain Stores Ledger</p> <p>The Institute buys finished KEMRUB hand sanitizers and TBCIBES (chlorine-based stabilized decontaminant) for resale through its production department. However, there was no stores ledger or bin cards among other inventory records. There was also no evidence of stock take as at 30 June, 2021. In addition, the dates for goods received notes issue vouchers were similar since the deliveries were made directly to customers instead of being received by the Institute for subsequent issuance. Further, there were no inspection and acceptance reports.</p> <p>In the circumstances, the internal controls put in place by Management are weak.</p> <p>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</p>	<p>Stock take exercise at Production department as at 30th June 2022 was undertaken and the stocks of Ksh. 3,222,568 recognized in financial statements (Statement of Financial Position) for FY 2021-2022 as inventories. Stock sheets were maintained, however, bin</p>	<p>Director Corporate Services.</p>	<p>Partially Resolved</p>	

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	<p>effective Processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.</p>	<p>cards/stores ledgers were not.</p>			
	<p>Responsibilities of Management and the Board of Directors</p> <p>Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.</p> <p>In preparing the financial statements, Management is responsible for assessing the Institute's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute of to cease operations.</p> <p>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.</p> <p>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, revenue transactions and information reflected in the financial</p>				

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<p>statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.</p> <p>The Board of Directors is responsible for overseeing the Institutes financial reporting process, reviewing the effectiveness of how the entity 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.</p> <p>Auditor-General's Responsibilities for the Audit</p> <p>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. Reason 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.</p> <p>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</p>				
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<p>information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of the Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.</p> <p>Further, in planning and performing the audit of the financial statements and review 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 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.</p> <p>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's policies and procedures may deteriorate.</p> <p>As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain profession skepticism throughout the audit. I also:</p>				
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	<ul style="list-style-type: none"> • Identify and assess the risks of material misstatements, 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 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 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 revenue statement, 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 				
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<p>information and business activities of the Institute to express an opinion on the financial statements.</p> <ul style="list-style-type: none"> • Perform such other procedures as I consider necessary in the circumstances <p>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.</p> <p>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</p>				
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Guidance Notes:

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

Treasury


Director General/C.E. O/M. D (enter title of head of Entity)

Date

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Appendix II: Projects implemented by (The Entity)

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds

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Appendix V- Inter-Entity Confirmation Letter
[Insert your Letterhead]

ENTITY NAME: KENYA MEDICAL RESEARCH INSTITUTE			
Break down of Transfers from MINISTRY OF HEALTH			
FY 2020/2021			
a. Recurrent Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate- 2020/21
JULY 2021	06.09.2021	216,875,000.00	2021/22
AUGUST 2021	23.09.2021	216,875,000.00	2021/22
SEPTEMBER 2021	24.09.2021	216,875,000.00	2021/22
OCTOBER 2021	04.11.2021	216,875,000.00	2021/22
NOVEMBER 2021	08.12.2021	216,875,000.00	2021/22
DECEMBER 2021	14.01.2022	216,875,000.00	2021/22
JANUARY 2022	07.02.2022	216,875,000.00	2021/22
FEBRUARY 2022	04.03.2022	216,875,000.00	2021/22
MARCH 2022	01.04.2022	216,875,000.00	2021/22
APRIL 2022	13.05.2022	216,875,000.00	2021/22
MAY 2022	06.06.2022	216,875,000.00	2021/22
JUNE 2022	28.06.2022	216,875,000.00	2021/22
	Total	2,602,500,000.00	
b. Development Grants			


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Appendix IV: Transfers from Other Government Entities

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ENTITY NAME: KENYA MEDICAL RESEARCH INSTITUTE			
	<u>Bank Statement</u> <u>Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which</u> <u>the amounts relate</u>
	OCTOBER_2021 27.10.2021	75,550,000.00	2021/22
	APRIL_2022 04.04.2022	27,550,000.00	2021/22
	APRIL_2022 22.04.2022	75,550,000.00	2021/22
	Total	178,650,000.00	

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

Head of Accountants department of beneficiary Entity:  | 30/9/2023
 Name ... Anthony Wachira Sign Date

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