

REPUBLIC OF KENYA



*Paper laid by  
the Hon. James W. Wachira  
7/10/2018  
Mg*

OFFICE OF THE AUDITOR-GENERAL



PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NATIONAL QUALITY CONTROL  
LABORATORY**

**FOR THE YEAR  
ENDED 30 JUNE 2017**

**REPUBLIC OF KENYA**

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**MINISTRY OF HEALTH**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE, 2017**



**NATIONAL QUALITY CONTROL LABORATORY**

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

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### I. KEY ENTITY INFORMATION AND MANAGEMENT

#### (a) Background Information

The National Quality Control Laboratory was established under section 35D of the Pharmacy and Poisons Act Cap 244 of the Laws of Kenya on the 28 October, 1992 and came into operation on 06 November, 1992. The Laboratory is headed by a Director who is responsible for the general policy formation, strategy direction and is the secretary to the Board of Management.

#### (b) Principal Activities

The principal activities under the Pharmacy and Poisons Board Amendment Act of 1992 (Cap 244, Laws of Kenya), the Laboratory is mandated to:

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

#### (c) Key Management

The National Quality Control Laboratory's day-to-day management is under the following key organs:

1. Board of Management;
2. Director;
3. Management Team.

#### (d) Fiduciary Management

Key and fiduciary management who held office and were running the Laboratory's day-to-day operations were involved in decision making during the period of financial statements under review to 30 June, 2017. They carry a direct fiduciary responsibility and included the following:

	Designation	Name
1.	Director and Secretary to the Board.	Dr. Hezekiah K. Chepkwony, PhD
2.	Senior Deputy Director	Dr. Pius M. Wanjala
3.	Deputy Director, Finance and Administration	Dr. George Wang'ang'a
4.	Deputy Director, Technical Services	Dr. Ernest G. Mbae
5.	Deputy Director, Quality Assurance	Dr. Serah M. Muteru
6.	Deputy Director, Research & Technological Development	Dr. Nicholas Mwaura, PhD
7.	Head, Wet Chemistry and Instrumentation Units	Dr. Mathayo Kwena
8.	Head, Biological Analysis Unit	Dr. Sarah Mwangi
9.	Head, Documentation Unit	Dr. Rebecca Manani
10.	Head, Medical Devices Unit	Ms Anastasia Ngumbi
11.	Head, Finance and Administration	CPA David Yano
12.	Head, Supply Chain Management Unit	Mr. George Ogeto Nyambane

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### (e) Fiduciary Oversight Arrangements

The Statutory fiduciary oversight agencies include;

1. Office of the Auditor-General
2. Audit and finance committee of the board
3. Parliamentary committee activities
4. Development partner oversight activities
5. Other oversight agencies

### (f) Laboratory's Headquarters

National Quality Control Laboratory,  
P.O. Box 29726-0202, KNH, Nairobi, Kenya,  
Kenyatta National Hospital Complex, Hospital Road,  
2<sup>nd</sup> Floor, School of Pharmacy Building,  
College of Health Sciences, University of Nairobi.

### (g) Laboratory's Contacts

Telephone: 020-3544525/30  
E-mail: info@nqcl.go.ke  
Website: www.nqcl.go.ke

### (h) Laboratory's Bank

National Bank of Kenya Ltd,  
Hill Plaza, NHIF Building,  
P.O. Box 45219-00100  
Nairobi, KENYA.

### (i) Laboratory's Vote

The Laboratory controls a Ministry of Health **Vote Number 0009**, from where it receives annual allocations from The National Treasury through the Ministry of Health for recurrent and development expenditures.

### (j) Laboratory's Independent/ External Auditors

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

### (k) Laboratory's Principal Legal Adviser

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



# NATIONAL QUALITY CONTROL LABORATORY

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## II. BOARD OF MANAGEMENT

	Board Member's passport-size photo	Name – Designation	Profession/ Academic Qualification	Main Responsibility	Current status
1.		Felista Kerubo Nyakoe* (Ms)	Food Chemist - MBA Strategic Mgmt, BSc.	Former Chairperson	*Affected by Presidential circular
2.		Irene Thiguku Kamanja (Dr)	Veterinary Surgeon – PhD, MSc, BVM	Technical Committee Member	Continuing
3.		Abdi O. Jama <sup>μ</sup> (Mr)	Pharmaceutical Technologist – BHSM (On-going), HD, PGC, Pharm Tech.	Finance & Administration Committee Member	μ Resigned
4.		Paul Munyao Mutua (Mr)	Advocate – LLM, LLB	Audit Committee Member	continuing
5.		Philip Omondi Odhiambo* (CPA)	Accountant – MBA, BA, CPA (K)	Finance & Administration Committee Member	*Affected by Presidential circular
6.		Apollo Odhiambo Maima <sup>μ</sup> (Dr)	Pharmacist – PhD (On-going), PGD, MPharm, BPharm	Finance & Administration Committee Member	μ Resigned
7.		Joseph Shitandi Mukoko <sup>μ</sup> (Dr)	Pharmacist – PGD, MSc (On-going), BPharm	Audit Committee Member	μ Resigned
8.		Esther Gathoni Ithigi <sup>#</sup> (Dr)	Pharmacist - MBA, BPharm	Technical Committee Member	# Relocated
9.		John Ronoh Sitienei (Mr)	Lecturer, PhD (On-going), MPsysc, B.Ed	Acting Chairperson & Audit Committee Member	Continuing
10.		Hezekiah K. Chepkwony (Dr)	Director; PhD; MPharm; MSc. Pharm; MPSK	Secretary to the Board	Continuing

**Key**

- \* Affected by the Presidential circular barring public servants to sit on Boards of State Corporations
- μ Resigned from the Board
- # Re-located from Kenya soon after appointment to the Board

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### III. CHAIRPERSON'S STATEMENT

The Board of Management presents the National Quality Control Laboratory Annual Report and Financial Statements for the year ended 30 June, 2017. The BOM was appointed by the Registrar, Pharmacy and Poisons Board in accordance with Cap 244, Section 35 (F) (1) via a gazette notice number 111 of 9<sup>th</sup> January, 2015 effective from 31<sup>st</sup> December, 2014 and will serve for a period of three (3) years. The Board of Management was inaugurated in January, 2015 and has since then applied itself to steering the Laboratory realise its vision. The Board of Management's functions are enumerated in the same Act Section 35(G). The Board of Management has undergone Mwongozo training, which is the code of governance for state corporations outlined by the Government of Kenya.

The Board has identified and continues to handle critical issues affecting the Laboratory's operations, performance and growth as outlined below but not limited to:

1. To deter other government institutions from usurping the Laboratory's mandate according to the Act and in particular the carrying out of Good Manufacturing Practices inspections in pharmaceutical manufacturing industry premises and issue certificates of compliance on the same. It has done this by engaging stakeholders in the pharmaceutical sector, the Attorney General, Pharmacy and Poisons Board, Ministry of Health and the Kenya Trade Network.
2. Reviewed the analysis (sample testing) fees and other fees to reflect market rate cost of chemicals and reagents to enhance its revenue stream.
3. Continued to advocate for the Laboratory's complete categorization as a State Corporation and therefore have a wage bill from treasury. This will go a long way in strengthening the human resource capacity and reduce staff turnover by deterring their movement especially those who have been made technical signatories to ISO 17025 accreditation and World Health Organization prequalification.
4. Reviewing and implementation of the Laboratory's scheme of service which will strengthen the human resource evaluation and appraisal systems.
5. Engaging the Ministry of Lands and the Surveyors of Kenya through Ministry of Health to acquire title deed for the piece of land approximately 2.61 hectares currently being held by Kenya Reinsurance Corporation (1.26 hectares) and Kenya National Hospital (1.35 hectares).
6. Mobilising resources to establish a centre of excellence testing facility on the repossessed land.
7. Ensure that the Laboratory's budgetary allocation from The National Treasury is wholly sent to its account as grants to enhance financial independence, accountability and efficiency.

Currently the board is **unable** to transact any business because it does not have a quorum which is five (5). Two (2) members were affected by the Presidential circular barring public servants to sit on Boards of State Corporations, three (3) members resigned from the Board due to personal reasons and one (1) member relocated from Kenya soon after appointment to the Board.

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**Dr William Mwatu,**  
Chairman

Date











03/05/2018



# NATIONAL QUALITY CONTROL LABORATORY

**Reports and Financial Statements  
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## IV. KEY / SENIOR MANAGEMENT TEAM INFORMATION

	Key manager's passport-size photo	Name – Designation	Date of Birth	Professional/ Academic Qualification	Main Responsibility	Experience (Years)
1.		Dr. H.K. Chepkwony - Snr. Deputy Chief Pharmacist	09.01.1962	PhD, MPharm, MSc. Pharm; MPSK	Director	26
2.		Dr. Pius Wanjala - Snr. Deputy Chief Pharmacist	27.05.1974	MPharm, LLB; MPSK	Senior Deputy Director	18
3.		Dr. George Wang'ang'a - Deputy Chief Pharmacist	18.05.1978	MBA, BPharm; MPSK	Deputy Director – Finance & Administration (Human resource & Audit)	15
4.		Dr. Serah Muteru - Assistant Chief Pharmacist	05.06.1977	Msc, BPharm; MPSK	Deputy Director – Quality Assurance Manager (Q.A.M)	15
5.		Dr. Ernest Mbae - Deputy Chief Pharmacist	30.10.1978	MPharm, BPharm; MPSK	Deputy Director – Technical Services	15
6.		Dr. Nicholas Mwaura - Assistant Chief Pharmacist	09.10.1976	PhD, MPharm, BPharm; MPSK	Deputy Director – Research & Technological Development	16
7.		Dr. Mathayo Kwena - Assistant Chief Pharmacist	04.10.1979	Msc, BPharm; MPSK	Head Wet and Instrumentation Units	13
8.		Dr. Sarah Mwangi - Assistant Chief Pharmacist	07.09.1978	Msc; BPharm; MPSK	Head – Biological Analysis Unit	15
9.		Dr. Rebecca Manani - Assistant Chief Pharmacist	07.01.1981	Msc; BPharm; MPSK	Head Documentation Unit	15
10.		Ms. Anastasia Ngumbi - Pharmaceutical Technologist	17.07.1958	Dip. Pharm. Tech; Dip in Law	Head Medical Devices Unit	36
11.		Mr. David K. Yano - (Contracted Staff)	01.08.1978	BCOM, Finance	Head, Finance and Administration	15
--		Mr. George Ogeto		BA. Econ CPA	Head Supply Chain	

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements

For the year ended June 30, 2017

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### V. REPORT OF THE DIRECTOR

The National Quality Control Laboratory was established as a state corporation under section 35E (1) of the Pharmacy and Poisons Act Cap 244 Laws of Kenya which came into operation on 6th November 1992. The Laboratory performs the work of examining and testing medicines and any material or substance from which or with which and the manner in which medicines may be manufactured, processed or treated and ensure the quality control of medicines and medicinal substances; perform chemical, biological, biochemical, physiological and pharmacological analysis and other pharmaceutical evaluation; test at the request of the Board of Management and on behalf of the Government, of locally manufactured and imported medicines or medicinal substances with a view to determine whether such medicines or medicinal substances comply with Cap 244; provide advisory services to Ministry of Health on medicines quality standard; and carry out Good Manufacturing Practice inspections in pharmaceutical manufacturing industry premises and issue certificates of compliance on the same.

Since inception it has operated under the Division of Pharmacy in the Ministry of Health. In September 2014, it was recognized as a Semi – Autonomous Government Agency in the Ministry of Health and on 11<sup>th</sup> February, 2016 the State Corporation Advisory Committee categorized it at category PC 4B and advised the Ministry of Health to embark on the activity of categorization. It continues to get its budgetary allocation through Ministry of Health under the Vote Head 0009.

The funds allocated are mainly used for procurement of chemicals, reagents, glassware, related apparatus and additional equipment that are vital in ensuring the institution continues to meet the current good practices for pharmaceutical quality control laboratories and the relevant parts of the World Health Organization Good Manufacturing Practice guidelines and the ISO 17025 accreditation status under the South African National Accreditation System for pharmaceuticals.

The Laboratory generates income from sample analysis of drugs for Government institutions as well as private pharmaceutical firms. The income generated supplements the recurrent and development budget the Government gives to the Laboratory through Ministry of Health. The ability of the Laboratory to perform its core business of sampling and testing of drugs and medical devices will be enhanced by efforts to secure more autonomy and enhanced budgetary allocations.

Previous experience has shown that when budgetary allocations are channelled through the Vote Head 108 – 0009 at the Ministry of Health, a number of items requested for procurement as per the approved budget and procurement plan remain as pending bills as a result of lack of compliance with the allocated budget lines.

The Laboratory requires budgetary support to be channelled directly to its account to continue performing its core functions.


Dr. Hezekiah Kibet Chepkwony, PhD  
Director

Date 03 MAY 2018

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### VI. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the structure and system of rules, practices and processes by which an organization is directed, controlled and held accountable. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in organizations. Corporate governance essentially involves balancing the interests of the many stakeholders in an organization. These include its shareholders, management, customers, suppliers, financiers, government and the community. Corporate governance also provides the framework for achieving the objectives of the organization, and creates benchmarks for the measurement of corporate performance and disclosure.

The Laboratory has put in place a system of rules, practices and processes based on the Mwongozo Code of Governance developed by the Government of Kenya, by which it is directed and controlled, which involves balancing the interests of its many stakeholders including but not limited to management, staff, customers, suppliers, donors, government and the community in general. The system in place also provides the framework for attaining the Laboratory's objectives and encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosures.

The Mwongozo Code of Governance is anchored on the Constitution of Kenya, 2010. Article 10 of the Constitution entrenches national values and principles of governance while Article 73 places emphasis on public trust, honour and dignity of public offices. Personal integrity, and values and principles of public service are reinforced in Article 232, which also provides for efficiency, effectiveness and economic use of resources. The Code takes into consideration Chapter Six of the Constitution on Leadership and Integrity as well as the Public Officers and Ethics Act, 2003.

Taking cognisance that the Laboratory is in the process of being categorised as a state corporation, it has in the meantime been recognized as Semi – Autonomous Government Agency that performs a regulatory duty in medicines control under Ministry of Health. As a testing and inspecting facility, the Laboratory continues to uphold its corporate values of Staff, Environment, Integrity & Patriotism, Technology, Standards, Commitment to customer services, Quality Service and Team & Individual Productivity.

The Laboratory's adoption of the Corporate Governance framework means it embodies the six principles of good governance developed by the worldwide Organization for Economic Cooperation and Development (OECD), and which are now global benchmarks for corporate governance principles. These are: ensuring the basis for an effective corporate governance framework; the rights of shareholders and key ownership functions; the equitable treatment of shareholders; the role of stakeholders; disclosure and transparency; and the responsibilities of the Board. Further, the adopted code also takes into account the 2005 OECD Guidelines on Corporate Governance of State-Owned Enterprises, which were meant to cater for governance of state corporations. The governance guidelines include requirements that: State-owned enterprises should observe high standards of transparency in accordance with OECD principles of corporate governance; the boards of state-owned enterprises should have the necessary authority, competencies and objectivity to carry out their function of strategic guidance and monitoring of management; and members of the Board are required to act with integrity and be held accountable for their actions.



# NATIONAL QUALITY CONTROL LABORATORY

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### VII. MANAGEMENT DISCUSSION AND ANALYSIS

#### Operational Performance

The National Quality Control Laboratory established in 1992 under Cap 244 (Sec 35) mandated to regulate, by analysing and certifying pharmaceutical products and manufacturing plants, was categorised as a Semi – Autonomous Government Agency in 2015 and the State Corporation Advisory Committee categorized it at category PC 4Bin 2016, awaiting operationalization by the Ministry of Health.

The Laboratory has two sets of staff, those seconded by the Ministry of Health and those contracted by the Board of Management. Those from the Ministry are paid through the Ministry's payroll at Afya House. The Board of Management appointed by the Pharmacy and Poisons Board has no reporting structure and currently cannot carry out any business for lack of quorum. The mandate of the Laboratory has also been usurped by a number of other players in the sector in the testing and analysis of pharmaceutical and also in the certification of manufacturing sites.

In 2015 the Laboratory achieved ISO 17025 certification which raised the stature. Due to this a number of qualified staff members moved to other competing Laboratories and institutions on offer of a better remuneration. The technical staff numbers have dwindled affecting greatly the technical output. There are however, plans to recruit and replace them.

The Laboratory housed in the Kenyatta National Hospital complex grounds was initially set-up as an upgrade of the Drug Analysis Research Unit of the School of Pharmacy University of Nairobi. It is therefore a squatter and does not pay any rent only incurring a charge for utilities. Over the years the Laboratory has outgrown its capacity due to the nature of increased analytical services and the number of staff it can accommodate. We are in the process of securing funds for the construction of an ultra- modern Laboratory in the piece of land recovered from Kenya Reinsurance Corporation. This land had been allocated to the Laboratory by the Ministry of Lands after initial set-up.

#### Financial Performance

The financial status of the Laboratory vis a vis other related parameters is tabulated below;

Financial Year	Samples Received	Samples Analysed	Number of Staff	Cash Receipts (Ksh)
June, 2014	1169	1166	44	36,844,240
June, 2015	738	927	41	27,718,700
June, 2016	1241	982	33	46,722,954
June, 2017	444	806	30	68,535,503

These data shows a declining trend in number of samples analysed, the increase in the amount collected is due to an increase in the analysis fee as approved by the Board of Management which had not been changed since inception. The increased fee was to cover for the increase in cost of chemicals, reagents, equipment and their maintenance.

#### Investments Decision

The Laboratory has no investments currently

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### Compliance with Statutory Requirements

The Laboratory has continually complied with all statutory provisions in discharging its mandate of analysing Pharmacy and Poisons and issued 806 invoices against certificate of analysis.

### Major Risks Facing the Organisation

The major risk facing the organization is the usurping of its mandate by other institutions. We hope that this can be mitigated by the new Health Act 2017 which has proposed the formation of a single regulatory authority in the health sector.



# NATIONAL QUALITY CONTROL LABORATORY

Reports and Financial Statements  
For the year ended June 30, 2017

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## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate Social Responsibility (CSR) is the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that:

- Contributes to sustainable development, including the health and the welfare of society,
- Takes into account the expectations of stakeholders,
- Is in compliance with applicable law and consistent with international norms of behavior, and,
- Is integrated throughout the organization and practiced in its relationships.

It can further be elaborated as a form of corporate self-regulation integrated into an organizations business model. It functions as a self-regulatory mechanism whereby the organization monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. For some organizations, it goes beyond compliance and engages in activities that appear to further some social good, beyond the interests of the firm and that which is required by law. The aim is to increase long-term benefits and stakeholder trust through positive public relations and high ethical standards to reduce business and legal risk by taking responsibility for corporate actions. Its strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

The Laboratory has taken an initiative to assess and take responsibility for the effects on the environment and the kind of impact it has on the society. The Laboratory has made efforts that go beyond what may be required by the Government.

The Laboratory has done this by subscribing to the World Health Organization prequalification guidelines for Good Practices for Pharmaceutical Quality Control Laboratories and the ISO 17025 guidelines all of which clearly define how a quality control Laboratory is meant to dispose of its waste, use of chemicals and reagents and monitoring of environment conditions for sample integrity and staff working conditions.

The Laboratory also engages the society in its activities by allowing students to carry out their attachments in the institutions as a way of gaining experience and work practice. It also donates equipment to teaching institution and also performs demonstrations for students in universities and colleges that teach pharmaceutical sciences.

Going into the future the Laboratory intends to devote real time system on its activities to enhance environmental sustainability programs, alternative/clean energy, and various social welfare initiatives to benefit staff, customers, and the society at large.



# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### IX. REPORT OF THE BOARD OF MANAGEMENT

The Board of Management submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the National Quality control Laboratory.

#### Principal Activities

The Laboratory performs the work of examining and testing medicines and any material or substance from which or with which and the manner in which medicines may be manufactured, processed or treated and ensure the quality control of medicines and medicinal substances; perform chemical, biological, biochemical, physiological and pharmacological analysis and other pharmaceutical evaluation; test at the request of the Board and on behalf of the Government, of locally manufactured and imported medicines or medicinal substances with a view to determine whether such medicines or medicinal substances comply with Cap 244; provide advisory services to Ministry of Health on medicines quality standard; and carry out Good Manufacturing Practice inspections in pharmaceutical manufacturing industry premises and issue certificates of compliance on the same.

#### Results

The results of National Quality control Laboratory for the year ended June 30, 2017 are set out on page 1 - 5. They give a true and fair view of the state of affairs of the Laboratory as at the end of a financial year.

#### Directors

The Laboratory being a Semi – Autonomous Government Agency is run by a Board of Management appointed by the Registrar, Pharmacy and Poisons Board in accordance with Cap 244, Section 35 (F) (1) via a gazette notice number 111 of 9<sup>th</sup> January, 2015 effective from 31<sup>st</sup> December, 2014 to serve for a period of three (3) years. Currently the board is unable to transact any business because it does not have a quorum which is five (5). Two (2) members were affected by the Presidential circular barring public servants to sit on Boards of State Corporations, three (3) members resigned from the Board due to personal reasons and one (1) member relocated from Kenya soon after appointment to the Board.

#### Auditor

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

By Order of the Board



Dr. Hezekiah Kibet Chepkwony, PhD  
Director,

Date

30/MAY/18



Dr. William Mwatu,  
Chairman

Date

03/05/2018

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements

For the year ended June 30, 2017

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### X. STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

Section 192 of the Public Finance Management Act, 2012 of the State Corporations Act, require the Board to prepare financial statements in respect to the Laboratory, which give a true and fair view of the state of affairs and the operating results at the end of the financial year. The Board is also required to ensure that the Laboratory keeps proper accounting records which disclose with reasonable accuracy the financial position of the Laboratory. The Board is also responsible for safeguarding the assets of the Laboratory.

The Board is responsible for the preparation and presentation of the Laboratory's financial statements, which give a true and fair view of the state of affairs of the Laboratory for and as at the financial year ended on 30 June, 2017. This responsibility includes:

1. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
2. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
3. 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;
4. Safeguarding the assets of the Laboratory;
5. Selecting and applying appropriate accounting policies; and
6. Making accounting estimates that are reasonable in the circumstances.

The Board accepts responsibility for the Laboratory's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards, and in the manner required by the Public Finance Management Act and the State Corporations Act.

The Board asserts that the financial statements give a true and fair view of the state of the Laboratory's transactions during the financial year ended 30 June, 2017 and of its financial position as at that date. The Board further confirms the completeness of the accounting records maintained by the Laboratory, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Board to indicate that the Laboratory will not remain a going concern for at least the next twelve months from the date of this statement.

#### Senior Management's Responsibility for the Financial Statements

The Laboratory's Management takes responsibility for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial statements of the Laboratory for the year ended 30 June, 2017 presented for audit comprise:

- a) Statement of financial performance,
- b) Statement of financial position,
- c) Statement of changes in net assets,
- d) Statement of cash flows,
- e) Statement of comparison of budget and actual amounts, and
- f) A summary of significant accounting policies and other explanatory information.

# NATIONAL QUALITY CONTROL LABORATORY

Reports and Financial Statements  
For the year ended June 30, 2017

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## Approval of the Financial Statements

The Laboratory's financial statements are approved by the Chairperson of the Board on, 03 May, 2018 and signed on its behalf by:

*Handwritten signature of Dr. Hezekiah Kibet Chepkwony*

Dr. Hezekiah Kibet Chepkwony, PhD  
Director & Secretary to the Board

Date 3<sup>RD</sup> / MAY / 18



*Handwritten signature of Dr. William Mwatu*

Dr. William Mwatu,  
Chairman

Date 03/05/18

# **NATIONAL QUALITY CONTROL LABORATORY**

**Reports and Financial Statements  
For the year ended June 30, 2017**

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## **XI. REPORT OF THE AUDITOR GENERAL.**

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.oagkenya.go.ke](http://www.oagkenya.go.ke)

P.O. Box 30084-00100  
NAIROBI



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL QUALITY CONTROL LABORATORY FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of National Quality Control Laboratory set out on pages 1 to 28, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Quality Control Laboratory as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis).

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Qualified Opinion

##### 1.0 Property, Plant and Equipment

As previously reported, the property, plant and equipment balance of Kshs.69,399,127 in the statement of financial position as at 30 June, 2017 excludes an undetermined value of a parcel of land measuring four (4) hectares situated at Upper Hill, Nairobi which was allotted to National Quality Control Laboratory in 1992. The parcel of land was re-allocated to National Quality Control Laboratory in 1995 but was reduced to 2.61 hectares. Available information indicates that out of 2.61 hectares, 1.26 was sold to Kenya- Re by Kenya Media Trust and the remaining 1.35 hectares were taken over by

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*Report of the Auditor-General on the Financial Statements of National Quality Control Laboratory for the year ended 30 June 2017*

Kenyatta National Hospital. However, a total of 2.35 hectares has since been surrendered back; Kenya-Re 1.0 hectares and Kenyatta National Hospital 1.35 hectares. Further, the National Land Commission has taken part of 1.35 hectares surrendered by Kenyatta National Hospital and donated it to Kenya Urban Road Authority for construction of road without consent of National Quality Control Laboratory. Further information indicates that the 1.35 hectares parcel of land surrendered by Kenyatta National Hospital is under the survey process. In addition, Kenya Re has since surveyed the 1.0 hectare, for purposes of subdivision for the laboratory, and the subdivision process is ongoing at the National Land Commission. The laboratory has not obtained any ownership documents for the remaining 1.65 hectares and no evidence that the processing of the same is on course.

Consequently, it has not been possible to determine that the property, plant and equipment balance of Kshs.69,399,127 included in the statement of financial position as at 30 June 2017 is fairly stated.

## **2.0 Cash and Cash Equivalent**

The statement of financial position as at 30 June, 2017 reflects cash and cash equivalent balance of Kshs.9,768,493. However, the adjusted cash book balance after casting the entire cash book indicates a cash balance of Kshs.10,276,389 leading to an understatement of Kshs.507,896.

In the circumstance, it has not been possible to confirm the validity and accuracy of the cash and cash equivalent balance of Kshs.9,768,493 included in the statement of financial position as at 30 June 2017.

## **3.0 Trade and Other Receivables**

As previously reported, the trade and other receivables balance of Kshs.58,741,244 included in the statement of financial position as at 30 June, 2017 includes analysis fees totaling Kshs.6,013,120 owed by Kenya Medical Supplies Authority (KEMSA), as disclosed in note 14 to the financial statements, which has been outstanding for more than twelve (12) years. In addition, it includes other receivables from United Nations Development Programme and Government of South Sudan amounting to Kshs.1,613,197 which has been outstanding for more than two (2) years. A provision of three percent (3%) for bad and doubtful debts has been made in these accounts in respect of the outstanding analysis fees but the provision may be inadequate.

Consequently, it has not been possible to confirm the validity and recoverability of the analysis fees totaling Kshs.7,626,317 and that the trade and other receivables balance of Kshs.58,741,244 included in the statement of financial position as at 30 June 2017 is fairly stated.

## **4.0 Operating without Board of Directors**

During the year under review, the National Quality Control Laboratory operated without board of directors. The Laboratory, therefore, did not comply with the provisions of the

Pharmacy and Poisons Act, Cap 244 Section 35F, Laws of Kenya, which states that; (1) There shall be a Board of Management for the Laboratory, which shall consist of nine members to be appointed by the Pharmacy and Poisons Board. (2) A member of the Board of Management appointed under subsection (1) shall hold office for three years but shall be eligible for re-appointment.

Consequently, the Laboratory failed to comply with the provisions of Section 35 F(1) of the Pharmacy and Poison's Act, Cap 244 of the Laws of Kenya.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Quality Control Laboratory in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements, except for the matter described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there were no Key Audit Matters to communicate in my report.

### **Other Matter**

### **Budgetary Control and Performance**

The National Quality Control Laboratory had an approved total budget of Kshs. 255,057,000 voted for the financial year 2015/2016. The overall budget absorption was 30% as summarized below.

<b>Item</b>	<b>Budget (Kshs)</b>	<b>Actual (Kshs)</b>	<b>Under Absorption (Kshs)</b>	<b>(%) Under Expenditure</b>
Operating/General	98,668,000	7,525,558	91,142,442	92%
Personnel expenses	50,370,000	22,009,862	28,360,138	56%
Administrative expenses	78,965,000	24,931,700	54,033,300	68%
Board Expenses	3,274,000	722,512	2,551,488	78%
Finance costs	472,000	109,556	362,444	77%
Provision for Audit Fees	180,000	150,000	30,000	17%

Provision for Bad Debts	-	1,762,237	(1,762,237)	0%
Depreciation	23,128,000	18,710,901	4,417,099	19%
<b>Total</b>	<b>255,057,000</b>	<b>75,922,326</b>	<b>179,134,674</b>	

From the above analysis, it is evident that the National Quality Control Laboratory under-spent on all budget lines with operating/general expenses leading to unutilized total allocation of Kshs.179,134,674 or 70%. The implication of this is that more than two thirds of the budgeted activities were not implemented as planned. In this regard, there is need for the management to refocus the budgetary process with a view to coming up with a more realistic budget and better strategies on how to execute the budget to avoid instances on under - utilization of 70%.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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 such 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.

In preparing the financial statements, management is responsible for assessing the Laboratory's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern/ sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Laboratory or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Laboratory's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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

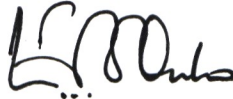
aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Laboratory's 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Laboratory's ability to continue as a going concern or 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 Laboratory to cease as a going concern or 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 Laboratory to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**10 May 2018**

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	2016 - 2017 Kshs	Restated 2015 - 2016 Kshs
<b>Revenues</b>			
Deferred Income	04	6,562,556	7,512,882
GTZ – Donations Renovations (Reversed)	4 (iii)	0	4,178,207
Government Receipts –Recurrent	05(i)	7,251,408	50,288,147
Government Receipts-Development	05(ii)	0	3,287,315
<b>Exchange Transactions</b>			
Analysis Fees	05(iii)	68,535,503	46,722,954
<b>Non - Exchange Transactions</b>			
Extra Ordinary Income	05(iv)	1,000	0
<b>Total Revenue</b>		<b>82,350,467</b>	<b>111,989,505</b>
<b>Expenses</b>			
Provision for Audit Fees	06(b)	150,000	127,600
Administrative Expenses	07	24,931,700	21,136,897
Personnel Emoluments	08	22,009,862	23,307,029
Board Expenses	09	722,512	1,722,954
Depreciation	10	18,710,901	20,214,160
Operating/ General Expenses	11	7,525,558	17,490,228
Finance Cost	12	109,556	181,283
Provision for Bad Debts	14	1,762,237	1,097,313
<b>Total Expenses</b>		<b>75,922,326</b>	<b>85,277,464</b>
<b>Surplus for The Period</b>		<b>6,428,141</b>	<b>26,712,041</b>

The notes set out on pages 1 to 5 form an integral part of these Financial Statements

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>Assets</b>			
<b>Non - Current Assets</b>			
Property, Plant and Equipment (Restated)	10	69,399,127	77,715,471*
<b>Current Assets</b>			
Cash and Cash Equivalents	13	9,768,493	10,708,116
Trade and Other Receivables	14	58,741,244	36,577,084
Inventories (Stock )	15	17,973,254	47,975,766
<b>Total Assets</b>		<b>155,882,118</b>	<b>172,976,437</b>
<b>Current Liabilities</b>			
Deferred Income – Donations	04	45,869,273	52,431,829
Trade and Other Payables (Gratuity)	06 (a, b & c)	21,559,154	39,183,982
Provision for Bad Debts	14	1,762,237	1,097,313
<b>Total Liabilities</b>		<b>69,190,664</b>	<b>92,713,124</b>
<b>Net Assets</b>			
Reserves (Adjusted)		80,263,313	32,224,428
Surplus /Deficit for The Year	16	6,428,141	48,038,885*
		<b>86,691,454</b>	<b>80,263,313</b>
<b>Total Net Assets and Liabilities</b>		<b>155,882,118</b>	<b>172,976,437</b>

**Note;**


- 1). In 2015 -16 we reported a NBV of ksh 58,013,176 NBV instead of ksh. 77,715,471\* as recomputed on page 21 PPE note 10. This resulted to an understatement of ksh.19, 702,295\* for the Surplus.
- 2). We also reported depreciation of kshs. 18,589,611 instead of kshs. 20,214,160 resulting to a difference of kshs. 1,624,549. The adjusted surplus figure will be kshs { .26, 712,041 + 1,624,549+ 19,702,295 } = kshs48, 038,885

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

  
**Dr. Hezekiah Kibet Chepkwony, PhD**  
 Director

Date 3<sup>rd</sup> MAY/18



  
**Dr William Mwatu,**  
 Chairman

Date 03/05/18

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

Details	Note	Accumulated Surplus Kshs	Totals Kshs
<b>Balance as at 30<sup>th</sup> June, 2015</b>	16	<b>32,224,428</b>	<b>32,224,428</b>
Surplus / Deficit for the Year -Restated		26,712,041	26,712,041
Restatement of property plant and equipment NBV and depreciation	16	21,326,844	21,326,844
<b>Balance as at 30<sup>th</sup> June, 2016</b>		<b>80,263,313</b>	<b>80,263,313</b>
Surplus / Deficit for the Year		6,428,141	6,428,141
<b>Balance as at 30<sup>th</sup> June, 2017</b>	16	<b>86,691,454</b>	<b>86,691,454</b>

**Note;**

- 1). In 2015 -16 we reported a NBV of ksh 58,013,176 NBV instead of ksh. 77,715,471\* as recomputed on page 21 PPE note 10. This resulted to an understatement of ksh.19, 702,295\* for the surplus.
- 2). We also reported depreciation of kshs. 18,589,611 instead of kshs. 20,214,160 resulting to a difference of kshs. 1,624,549.The adjusted surplus figure will be kshs {26, 712,041 + 1,624,549+ 19,702,295} = kshs48, 038,885



# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	Year ended 30.06.2017 Shs	Year ended 30.06.2017 Shs
<b>Cash flows from operating activities</b>			
Surplus for the Year		6,428,141	26,712,041
<b>Adjustments for ;</b>			
Depreciations	10	1,503,259	20,214,160
Gain / Loss on disposal		-	-
Contributed / donated Assets:		45,869,273	52,431,829
<b>Surplus before working Capital changes</b>		<b>53,800,673</b>	<b>99,358,030</b>
<b>Working Capital Changes</b>			
Decrease / (Increase) in receivables	14	(22,164,160)	(17,405,028)-
Decrease in Collaborators fund / Donation (Debits)	04	(950,326)	(1,061,814)-
Decrease in short term deposits		-	-
(Decrease) / increase in payables	06	(10,384,394)	645,431-
(Decrease) Increase in refundable deposits from customers - prepayments	06	(6,701,300)	11,677,799-
(Decrease) / increase in Bank overdraft		-	-
Increase in Collaborators fund / Donation (Debits) – payments received in advance	04	-	-
Net cash generated from operating activities	12	(40,200,180)	(6,143,612)
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	10	(3,832,000)	(38,773,002)
Proceeds from sale of property, plant and Equipment		-	-
Net cash flows used in investing activities		(3,832,000)	(38,773,002)
<b>Cash flows from financing activities</b>			
(Decrease) / Increase in cash & cash equivalents	13	(939,624)	3,670,146-
Cash & cash equivalents at the beginning		10,708,116	7,037,970-
Cash & cash equivalents at the end of the period		9,768,493	10,708,116-

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Period	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	Note
	2016-2017 Kshs	2016-2017 Kshs	2016-2017 Kshs	2016-2017 Kshs	2016-2017 Kshs	
<b>Revenue</b>						
Government Grants	177,936,000	-	177,936,000	7,251,408	(170,684,592)	A(i)
Donations	7,491,674	-	6,562,556	6,562,556	0	
GTZ – renovations NBV B/D	44,940,155	-	45,869,273	0	(45,869,273)	A
Analysis Fees	50,000,000	-	50,000,000	68,535,503	18,535,503	F(i)
Extra Ordinary Income	-	-	-	1,000	1,000	F(i)
<b>Total Revenue</b>	<b>280,367,829</b>	<b>-</b>	<b>280,367,829</b>	<b>82,350,467</b>	<b>(198,017,362)</b>	<b>A(iii)</b>
<b>Expenditure / Expenses</b>						
Operating / General	98,668,000	-	98,668,000	7,525,558	91,142,442	F(iv)
Personnel Expenses	50,370,000	-	50,370,000	22,009,862	28,360,138	F(v)
Administrative Expenses	78,965,000	-	78,965,000	24,931,700	54,033,300	F(vi)
Board Expenses	3,274,000	-	3,274,000	722,512	2,551,488	F(vii)
Finance Cost	472,000	-	472,000	109,556	362,444	F(viii)
Provision For Audit Fees	180,000	-	180,000	150,000	30,000	F(ix)
Provision For Bad Debts	-	-	-	1,762,237	(1,762,237)	A(x)
Depreciation	23,128,000	-	23,128,000	18,710,901	4,417,099	F(xi)
<b>Total Expenditure</b>	<b>255,057,000</b>	<b>-</b>	<b>255,057,000</b>	<b>75,922,326</b>	<b>179,134,674</b>	<b>F(xii)</b>
<b>Surplus (Deficit) Period</b>	<b>25,310,829</b>	<b>-</b>	<b>25,310,829</b>	<b>6,428,141</b>	<b>(18,882,688)</b>	<b>A(xiii)</b>

**Note: Disclosures - Explanation on the Variance;**

- The difference partly relates to MoH – GoK funds on personal emoluments note (v) paid and accounted for at the MoH for the 23 seconded staff.
- The favourable difference constitutes an increase in analysis fees due to upward review of the prices.
- The overall resultant adverse variance between notes (i) and (ii) as explained above.
- Notes (iv) and (vi) a favourable variance being operating and administrative expenses respectively is due to the difference between the budgeted and actual values.
- Note (vii) adverse variance relates to the overall budget allocations expected against realised funds.
- Note (viii) is the overall adverse variance resulting from under allocations from GoK – MoH resulting to an unbalanced budget.



# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### XVI. NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

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

#### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

#### 3. ADOPTION OF NEW AND REVISED STANDARDS

##### i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
<b>IPSAS 33:</b> First time adoption of Accrual Basis IPSAS	The Laboratory adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply.
<b>IPSAS 34:</b> Separate Financial Statements	The Laboratory does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
<b>IPSAS 35:</b> Consolidated Financial Statements	The Laboratory does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
<b>IPSAS 36:</b> Investments in Associates and Joint Ventures	The Laboratory does not have investments in associates or joint ventures in the financial year under review.
<b>IPSAS 37:</b> Joint Arrangements	The Laboratory does not have an interest in a joint arrangement and therefore the standard does not apply.
<b>IPSAS 38:</b> Disclosure of Interests in Other Entities	The Laboratory does not have an interest in other entities and therefore the standard does not apply.

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. NOT APPLIED
<b>IPSAS 40: Public Sector Combinations</b>	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations. NOT APPLIED

#### iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES

### FOR THE YEAR ENDED 30 JUNE 2017

#### 1. Basis of Preparation

The accounts are prepared on the basis of historical cost convention and are in compliance with International Public Sector Accounting Standards (IPSAS- accrual).

#### Income

Income represents receipts from government and analysis fees charged on examination and testing of the drugs and any medicinal or substance.

Note: The Management was requested and allowed some clients a discount on their charge during the year under review.

#### Donations

Donations in form of non-current Assets are apportioned to the income statement over the expected useful life of the asset at the rates equivalent to the depreciation rate of the asset. The apportioned amount i.e. the charge is taken to the Income Statement

#### Depreciation

Depreciation of all the other assets is computed on a Straight line basis, **except** Laboratory Equipment which uses Reducing balance method as follows:-



# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

Building	2.5% - Straight line
Laboratory Electronic Equipment	12.5% - Reducing balance
Furniture and Fittings	12.5% - Straight line
Office/ Electronic equipment	30.0% - Straight line
Auto-Mobile Machines (Generator& compressor)	12.5% - Straight line

Equipment/assets purchased, received, qualified/ commissioned (Installation, operation & performance), and held in the Laboratory for over six months shall suffer a full years depreciation charge, but equipment/assets held for less than Six Months do not qualify for the year's depreciation charge.

#### **Provision for Bad and doubtful debts**

The management provides for bad and doubtful debts at 3% on debtors, while stock is recognised at the lower of cost or net realizable value.

#### **Inventories**

Stock is recognised at the lower value of cost and net realizable value. A quarterly stock take to ascertain the current values has been proposed.

#### **Deferred Assets- Renovation to Works**

It is the cost of capital expenditure incurred on the renovations & improvements of the building owned by the School of Pharmacy, college of Health Sciences, University of Nairobi when NQCL was established to enable the compatibility with its.

#### **Cash and Cash Equivalent**

Comprises cash in hand, bank balances and short term deposits held in banks and financial Institution which is expressed in Kenya shillings (Kshs).

#### **Revenue Recognition**

Revenue is recognized to the extent that it is possible that the economic benefit will accrue to the Laboratory and be reliably measured.

## **2. Statement of Compliance and Basis of Preparation – IPSAS 1**

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

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

# NATIONAL QUALITY CONTROL LABORATORY

Reports and Financial Statements  
For the year ended June 30, 2017

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. Summary of Significant Accounting Policies

#### a) Revenue Recognition

##### i. Revenue From Non-Exchange Transactions – IPSAS 23

###### Fees, Taxes and Fines

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

###### Transfers from Other Government Entities

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

##### ii. Revenue From Exchange Transactions– IPSAS 9

**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 labor hours incurred to date as a percentage of total estimated labor hours.

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

**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 (IPSAS 24)** - The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

separate additional financial statement in the statement of comparison of budget and actual amounts.

c) **Taxes – IAS 12**

**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.

**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.

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Sales Tax** - Expenses and assets are recognized net of the amount of sales tax, except:

- 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 part of the expense item, as applicable;
- 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 (IPSAS 16)** - Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

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

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

- e) Property, Plant and Equipment (IPSAS 17)** - All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

- f) Leases (IPSAS 13)** - Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

- g) **Intangible Assets (IPSAS 31)** - Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

- i. **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:
- The technical feasibility of completing the asset so that the asset will be available for use or sale
  - Its intention to complete and its ability to use or sell the asset
  - How the asset will generate future economic benefits or service potential
  - The availability of resources to complete the asset
  - 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 – IPSAS 29**  
**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

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

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

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

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

#### ii. **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 Laboratory determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

##### **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.

**IPSAS 29.65** - 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 – IPSAS 12** - 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:

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

- j) **Provisions – IPSAS 19** - 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.

**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.

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

- k) **Nature and Purpose of Reserves** - The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

- l) **Changes in Accounting Policies and Estimates IPSAS 3** - 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.

# NATIONAL QUALITY CONTROL LABORATORY

Reports and Financial Statements  
For the year ended June 30, 2017

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**m) Employee Benefits – IPSAS 25**

**Retirement Benefit Plans** - The Entity provides retirement benefits for its employees and councilors. 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.

**n) Foreign Currency Transactions (IPSAS 4)** - 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.

**o) Borrowing Costs (IPSAS 5)** - 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.

**p) Related Parties (IPSAS 20)** - 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 councilors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

**q) Service Concession Arrangements (IPSAS 32)** - 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.

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

- r) **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 impress and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.
- s) **Comparative Figures** - Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.
- t) **Significant Judgments and Sources of Estimation Uncertainty (IPSAS 1)** - 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. All judgments, estimates and assumptions made have been stated.

**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

**Useful Lives and Residual Values** - The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

**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 36.

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.

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of on-going programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

- u) **Subsequent Events (IPSAS 14)** - There have been no events subsequent with a significant impact in the financial year end in our knowledge on the financial statements for the year ended June 30, 2017.



# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4. DEFERRED INCOME (DONATED ASSETS)

NOTE 04. - DONATED ASSETS RECEIVED	Furniture & Fittings 2008/09	Office electronic Equipment 2012/13	Lab Electronic Equipment (B/D 2012/13)	Lab Electronic Equipment HPLC 2013/14	Lab Electronic Equipment – Isolator 2014/15	
DEP. METHOD & RATE/ POLICY	Straight Line - 12.5%	Straight Line - 30.0%	Reducing Balance - 12.5%	Reducing Balance - 12.5%	Reducing Balance - 12.5%	TOTALS
Cost as at Stated date	<b>635,998.0</b>	<b>73,767.0</b>	<b>10,419,395.0</b>	<b>33,008,867.0</b>	<b>38,633,848.0</b>	<b>82,771,875.0</b>
Balance B/D 2012/2013	49,409.0	73,767.0	5,170,446.0	22,882,759.0	-	28,176,381.0
Charge for year 2013/2014	6,176.0	22,130.0	646,306.0	3,610,345.0	-	4,284,957.0
<b>Balance B/D 2013/2014</b>	<b>43,233.0</b>	<b>51,637.0</b>	<b>4,524,140.0</b>	<b>25,272,414.0</b>	-	<b>29,891,424.0</b>
Charge for the year 2014/2015	6,176.0	22,130.0	565,518.0	3,159,052.0	4,829,231.0	8,582,107.0
<b>Balance B/D 2014/2015</b>	<b>38,601.0</b>	<b>29,507.0</b>	<b>3,958,623.0</b>	<b>22,113,362.0</b>	<b>33,804,617.0</b>	<b>59,944,710.0</b>
Charge for the year 2015/2016	6,176.0	22,130.0	494,829.0	2,764,170.0	4,225,577.0	7,512,882.0
<b>Balance B/D 2015/2016</b>	<b>32,425.0</b>	<b>7,377.0</b>	<b>3,463,795.0</b>	<b>19,349,192.0</b>	<b>29,579,040.0</b>	<b>52,431,829.0</b>
Charge for the year 2016- 2017	6,176.0	7,377.0	432,974.4	2,418,649	3,697,380	6,562,556
<b>Balance C/D 2016-2017</b>	<b>26,249.0</b>	<b>0</b>	<b>3,030,821</b>	<b>16,930,543</b>	<b>25,881,660</b>	<b>45,869,273</b>

**Note;** Depreciation rates computation for Laboratory Equipment's is at 12.5% reducing balance while Furniture & Fittings 12.5%, Office/ Electronic Equipment 30% and Generator 12.5% are all straight-line.

#### Donations-disclosures as follows:

- i. In 2008/2009 UNFPA donated furniture of (Ksh.537,660+98,338) ksh.635,998 and in 2012 /2013 and Laboratory Equipment (Ksh.6,505,686+3,913,709) Kshs 10,419,395.
- ii. In 2013/14 Chemonics-USAID (Kenya Pharma) LLC donated Laboratory Equipment -7 HPLC of Ksh. 33,008,867 in May, 2014an Isolator received of US\$440,000 (Ksh.38, 633,848) NOT included in F.Y. 2013/14 Financial statements as per our qualification/ commissioning policy (installation, operation & performance) on new equipment/ assets received.
- iii. Donations (**Renovations expense**) from **GTZ in 1994 of ksh. 7,249,682** which was erroneously capitalised and over the years treated as a Note 10 (PPE - Buildings) item with a depreciation charge of 2.5% is now dully expensed and adjusted (the current carrying amount – NBV residual is ksh. 4,178,207) from the assets register and the financial statements as per the Auditor General's letter and advice Ref; DNQCL/2015-2016/ (9) dated 22 March, 2017.

#### Restated

5. (a) INCOMES (Kshs)	2016/2017	2015/2016
i. Government Grants – Recurrent	7,251,408	50,288,147
ii. Government Grants – Development	0	3,287,315
<b>SUB – TOTAL</b>	<b>7,251,408</b>	<b>53,575,462</b>
iii. Non-Exchange Transactions (Analysis Fees)	68,535,503	46,722,954
iv. Others incomes - Exchange Transactions	1,000	0
v. Deferred incomes (Note 4)	6,562,556	7,512,882
vi. GTZ – Donations	0	4,178,207
<b>TOTAL</b>	<b>82,350,467</b>	<b>111,989,505</b>

# NATIONAL QUALITY CONTROL LABORATORY

## Reports and Financial Statements For the year ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS - continued

#### 6. TRADE & OTHER PAYABLES (Kshs)

(a) Prepaid Analysis Fess	10,408,442	17,109,722
Chemicals & Reagents (112520+29450+125200+1192715+545339+858000)	2,863,223	7,133,344
Repairs & Maintenance	35,000	7,762,623
Electricity	103,979	327,905
Equipment	0	115,095
Stationery	31,904	662,500
Professional & Consultancy (Strathmore)	429,250	0
Buildings ( )	0	1,023,973
Office / General Expenses	51,755	82,480
Training (St. John's)	0	60,000
Personnel pay + Tax (PAYE Gratuity 10000+1756315+300292)	2,066,607	838,097
Accommodation - BOM	0	270,000
(b) Provision for Audit fees (F.Y 2016-17)	150,000	127,600
(c) Employee Benefit Obligation (Gratuity - Net01.07.2015 to June 2017)	5,418,994	3,670,643

**GRAND TOTALS**      **21,559,154**      **39,183,982**

**Market risk disclosures** – A proper (documented market survey) with a strong internal audit function as per the approved budgets will counter the risk.

#### 7. ADMINISTRATIVE EXPENSES (Kshs)

Printing & Stationery	2,131,355	2,212,793
Professional & Consultancy fees	935,828	1,420,078
Repairs & Maintenance (893200+7934245)	11,322,439	9,977,393
Travelling & Accommodation Expenses	2,819,341	2,152,377
Motor Vehicle Running Expenses	740,240	374,572
Office / General Expense	1,388,210	1,944,995
Water & Electricity Expenses (MoH)	1,082,714	-
Audit fees paid (F.Y 2015 – 16)	150,000	-
Telephone & Postage & Internet	1,166,963	1,321,295
Training Expenses	743,460	1,053,862
Miscellaneous Expenses (1725400+686150)	2,451,150	679,532

**TOTAL**      **24,931,700**      **21,136,897**

#### 8 (a). PERSONNEL EMOLUMENTS (Kshs)

Includes ; Basic Salary and Allowances (House, Travelling, Risk, Medical & Overtime)

**N.S.S.F (National Social Security Fund)**      102,000      53,600

These are the staff contribution for Social Security Fund for the period 2016/17

**N.H.I.F (National Hospital Insurance Fund)**      917,670      332,585

This is a statutory deduction from the staff for 2016/17.

(b). **Gratuity / Lump sum pay**      264,207      1,728,324

Employees paid obligation to the contracted staff for the period July, 2015 to June, 2017.

**Sub Total**      **18,201,949**      **18,231,403**

#### (c). P.A.Y.E (Pay As You Earn)

This is a statutory deductions from the staff's emoluments remitted to KRA during the period 2016/17

**TOTAL**      **22,009,862**      **23,307,029**

# NATIONAL QUALITY CONTROL LABORATORY

Reports and Financial Statements  
For the year ended June 30, 2017

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## NOTES TO THE FINANCIAL STATEMENTS - continued

### 9. BOARD OF MANAGEMENT EXPENSES (Kshs)

Sitting Allowance	190,000	680,000
Mileage Allowance	466,512	923,954
Accommodation Allowance	30,000	5,000
Lunch/Snacks Allowance	36,000	114,000
<b>TOTAL</b>	<b>722,512</b>	<b>1,722,954</b>

### 10. DEPRECIATION

		<b>Restated</b>
Charge for the period 2016-17 (Deferred income Note 04)	6,562,556	7,512,882
Charge for the period 2016-17 (Note 10 – PPE)	12,148,345	12,701,278
<b>TOTAL</b>	<b>18,710,901</b>	<b>20,214,160</b>



## NATIONAL QUALITY CONTROL LABORATORY

### Reports and Financial Statements For the year ended June 30, 2017

#### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 10. PROPERTY, PLANT AND EQUIPMENT COMPUTATIONS FOR 2016 -2017

ASSETS/ ITEMS HEAD	Buildings - Renovation	Lab. (Electronic) Equipment	Furniture & Fittings	Office Electronic) Equipment	Auto motives	Totals (Kshs) recomputed for 2016 - 2017 <sup>as</sup> Adjusted	2015 - 2016 Reported Totals for
<b>DEP. METHOD &amp; RATE/ POLICY</b>							
<b>Cost / NBV as at 30 June 2015</b>	<b>16,035,646</b>	<b>89,913,589</b>	<b>7,115,554</b>	<b>3,201,700</b>	<b>7,741,974</b>	<b>124,008,463</b>	<b>124,008,463</b>
Depreciation and or Impairment							
As at July 2013	2,890,233	41,874,975	2,817,712	-11,725,187	-	35,857,733	35,857,733
Depreciation 2013/14	181,242	11,239,199	396,882	-382,335	967,747	12,402,735	12,402,735
<b>Accumulated Depreciation at 2014</b>	<b>3,071,475</b>	<b>53,114,174</b>	<b>3,214,594</b>	<b>-12,107,522</b>	<b>967,747</b>	<b>48,260,468</b>	<b>48,260,468</b>
Depreciation for the year	400,891	4,599,927	889,444	960,510	967,747	7,818,519	7,818,519
Disposals / Impairment	-	-	-	-	-	-	-
Accumm. Depreciation as at June, 2015	3,472,366	57,714,101	4,104,038	-11,147,012	1,935,494	57,078,987	57,078,987
<b>Net Book Values As at 30 June, 2015</b>	<b>12,563,280</b>	<b>32,199,488</b>	<b>3,011,516</b>	<b>2,241,190</b>	<b>5,806,480</b>	<b>55,821,954</b>	<b>55,821,954</b>
Additions 2015-16	3,287,315	25,652,235	1,825,375	6,406,274	1,601,803	38,773,002	38,773,002
<b>Cost / NBV as at 01 July 2015</b>	<b>15,850,595</b>	<b>57,851,723</b>	<b>4,836,891</b>	<b>8,647,464</b>	<b>7,408,283</b>	<b>94,594,956</b>	<b>94,594,956</b>
Accumm Depreciation (as at 1st July 2015)	3,472,366	57,714,101	4,104,038	960,510	1,935,494	68,186,509	21,711,607
Depreciation for the year, 2015 - 16	301,831.98	7,231,465	1,117,616	2,882,392	1,167,972	12,701,278	11,076,729
<b>Accumm Depreciation (as at 1st July 2016)</b>	<b>3,774,198</b>	<b>64,945,566</b>	<b>5,221,654</b>	<b>3,842,902</b>	<b>3,103,466</b>	<b>80,887,787</b>	<b>32,788,336</b>
Less - GTZ Donations, Adjustment NBV B/D	(4,178,207)	-	-	-	-	(4,178,207)	-3793,445
<b>Net Book Values as at 30 June 2016</b>	<b>11,370,556</b>	<b>50,620,258</b>	<b>3,719,275</b>	<b>5,765,072</b>	<b>6,240,311</b>	<b>77,715,471</b>	<b>58,013,176</b>
Additions 2016- June, 17	1,280,000	2,552,000	-	-	-	3,832,000	-
<b>Totals Cost / NBV as at 30 June, 2017</b>	<b>12,650,556</b>	<b>53,172,257</b>	<b>3,719,275</b>	<b>5,765,072</b>	<b>6,240,311</b>	<b>81,547,471</b>	-
Accumm Depreciation (as at 1st July 2016)	3,774,198	64,945,566	5,221,654	3,842,902	3,103,466	80,887,786	-
<b>Depreciation charge for the year, 2016 - 17</b>	<b>333,832</b>	<b>6,646,532</b>	<b>1,117,616</b>	<b>2,882,392</b>	<b>1,167,972</b>	<b>12,148,345</b>	-
Accumm Depreciation (as at 30 June 2017)	4,108,030	71,592,099	6,339,271	6,725,294	4,271,439	93,036,132	-
<b>Net Book Values as at 30 June 2017</b>	<b>12,316,724</b>	<b>46,525,726</b>	<b>2,601,659</b>	<b>2,882,679</b>	<b>5,072,3396</b>	<b>69,399,127</b>	-

**Note:** the NBV relating to renovations by GTZ in 1994, which was erroneously treated as an asset (always attracting audit query) has now been reconciled from the assets register and an income (donation) recognized and duly expensed in compliance with the double entry concept and auditor general's advice, ref: NOCL/2015-2016(9). The furniture and fittings computation 2015-16 gives a discarded negative net book value computations figure of (384,762) while the accumulated depreciation for equipment of 57,714,101 which had been reached at by including ksh. 38,633,848 donated assets now transferred to note 04 where it should be adjusted. Going forward the management will seek the help of Government valuers to ascertain the Assets' Net Realisable Values for purposes of correcting and re-stating the assets register.

# NATIONAL QUALITY CONTROL LABORATORY

For the year ended June 30, 2017

## NOTES TO THE FINANCIAL STATEMENTS - continued

11. OPERATING / GENERAL EXPENSES (Includes)	<u>2016/2017</u> (Kshs)	<u>2015/2016</u> (Kshs)
Chemical & Reagent (Thro' NQCL A/Cs)	5,652,058	5,026,328
Chemical & Reagent ( Thro' MOH VOTE)	1,873,500	12,463,900
Glassware (Thro' MOH VOTE )	0	0
<b>TOTAL</b>	<b>7,525,558</b>	<b>17,490,228</b>
<b>12. FINANCE COST</b>		
Foreign Exchange Loss		-
Bank Charges	109,556	181,283
<b>TOTAL</b>	<b>109,556</b>	<b>181,283</b>
<b>13. CASH AND CASH EQUIVALENT</b>		
National Bank of Kenya, Hill plaza (A/C 01001031744600)	9,746,904	12,900,647
Cash book Balance (Reconciled Balance)	9,768,493	10,708,116
Cash in Hand	0	-
<b>CASH AND CASH EQUIVALENT TOTAL</b>	<b>9,768,493</b>	<b>10,708,116</b>
<p><b>Liquidity Risk Disclosure</b> – ‘as is’ the situation is attracting urgent management attention to stay afloat and to meet obligations; Statutory, Operational and administrative/ managerial which are seriously impacting the going concern status. The use of the vote book is also essential in managing the liquidity risk.</p>		
<b>14. TRADE AND OTHER RECEIVABLES</b>		
(a) Debtors (Various clients) - collectable	51,114,927	28,800,767
KEMSA2004, UNDP, GOSS (SH.6013120+1476930+136267)	7,626,317	7,626,317
<b>TOTAL</b>	<b>58,741,244</b>	<b>36,427,084</b>
(b) Staff Salary Advances - Receivables	237,000	150,000
<b>TOTAL</b>	<b>58,978,244</b>	<b>36,577,084</b>
(c) Provision for Bad & Doubtful Debts (3% of kshs. 58,741,244).	1,762,237	1,097,313
<p><b>(i) Related party disclosures</b> - includes KEMSA ksh 15,730,963, PPB, ksh. 3,380,690, MoH ksh. 7,251,408 &amp; 858,000 and NASCOP kshs. 17,580,797.</p> <p><b>(ii) Credit risk disclosures</b> – The management must apply our 100% advance pay policy uniformly to all Clients, Government institutions, Programmes’ and private clients equally. All contracts signed with clients should carry a 100% advance pay clause to avoid accumulation of receivables and bad debt portfolio hence the risk.</p>		
<b>15. INVENTORIES / STOCK</b>		
Chemicals & Reagents, (MOH& NQCL)	14,398,770	21,415,282
Glassware	3,574,484	3,574,484
Stationery (MOH & NQCL)	0	22,986,000
<b>TOTAL</b>	<b>17,973,254</b>	<b>47,975,766</b>
<b>16. ACCUMULATIVE SURPLUS</b>		
Balance B/D	80,263,313	32,224,428
Surplus /(Deficit) for the year	6,428,141	28,336,590
Add; PPE understated (77715471-58013176) see note 10	-	19,702,295
<b>TOTAL</b>	<b>86,691,454</b>	<b>80,263,313</b>

**Note;\*** Denotes corrected balance

- 2013-14 depreciation charge @ 30% for Office equip is Ksh. 3,823,354 not Ksh 383,335 hence equipment should be fully depreciated by 1<sup>st</sup> July, 2014
- 2014-15 addition is Ksh.8, 269,560 and not Ksh 46,722,375 as Ksh. 38,633,383 relates to donations (deferred income).
- Office equipment’s Cost/ N.B.V Ksh Ksh.12, 744,512 was disposed off (donated to i University of Nairobi- school of Pharmacy) in 2014-15 its accumulated depreciation being Ksh 11,725,187.



## NATIONAL QUALITY CONTROL LABORATORY

For the year ended June 30, 2017

### XVII. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS FOR THE YEAR ENDED 30 JUNE 2017.

The following is the summary of issues raised and or upheld by the external auditor (Kenya National Audit Office) in F.Y 2013/14 through to 2016/17 Audit review and the management assertion that were provided to the auditor. We have nominated focal persons to resolve them as shown below within the associated time frame.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
S/No. 4	Financial report doesn't have – corporate governance and social responsibility statement, Chairman's report, report of the Chief Executive officer. There are no details of key qualifications, areas of responsibility, photos, date of birth of the Board of Directors	A brief on the corporate governance, corporate social responsibility, the Chairman's statement and the chief executive's report has been provided in pages 4 & 5 above. The qualifications, responsibilities and other required details of the Board were to be provided for the 2014/15 BOM members this was not previously done.	Dr. H. K. Chepkwony, PhD	Resolved Awaiting only photos of 2 BOM	2016/2017 FY
S/No. 5	Explanations on material variances between budgeted and Actual amounts not provided, for MoH or NQCL A.I.A sources.	The MoH variance can best be explained by the respective MoH finance and or procurement departments/officers NQCL needed to service commitments made to suppliers as Authority from the Principal Secretary (MoH) was sought on the same and approval granted.	Dr. P. M. Wanjala	Resolved Partially	2016/2017 FY
S/No. 9	No accounting policies for nature and purpose of reserves, financial instruments (receivables) was provided	The Board is now (December, 2014) reconstituted and inaugurated (January, 2015) will work on the issue of the nature and purpose of reserves and the financial instruments policy as observed.	Dr. H. K. Chepkwony, PhD	Not resolved	2016/2017 FY
S/No. 10	The Laboratory should disclose PSASB pronouncements on statement of compliance of how the Board was formed under PFM Act 2014, gazettelement of the standards and the effective date	The Board will take up the issue of standards as per PSASB pronouncements and gazettelement. But the Board is formed as set out in the Pharmacy and Poisons Board Act Cap 244 Sec 35. However the Laboratory currently operate as a SAGAS under the MoH	Dr. H.K. Chepkwony, PhD & Dr. P. M. Wanjala	Resolved Partially	2016/2017 FY
S/No. 11	Non-disclosure of financial risks management in compliance with IPSAS 30	To mitigate against credit risk and liquidity risk the management using standard operating procedures (SOP) has instructed clients to pay in advance. On market risk the	Dr. H.K. Chepkwony, PhD &	Resolved Partially	2016/2017 FY

## NATIONAL QUALITY CONTROL LABORATORY

For the year ended June 30, 2017

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2013/2014 Audited Accounts - Opinion	(1) Property, Plant and Equipment ✓ 4 Hectares Land encroached by KMTc, Kenya-Re and KNH	Board is to address challenges around our mandate being usurped by PPB for its effective execution and customer satisfaction hence checks against market risks. The Management has legally repossessed - 1.26 Ha encroached upon by Kenya Times Media Trust and sold to the Kenya-Re - 1.35 Ha fenced off by KNH is at an advanced stage of being reposed. - Once the matter is resolved the total land will be Revalued. - We intend to comply with IPSAS 16 in accounting for this asset	Dr. P. M. Wanjala	Resolved Partially	2016/2017 FY
2013/2014 Audited Accounts - Opinion	(2) Trade and other receivables	-Compliance with IPSAS19, contingent assets treatment	Dr. George Wang'ang'a	Not Resolved	2016/2017 FY
2013/2014 Audited Accounts - Opinion	(3) Government grants	- We will apply IPSAS 20 (related party transaction) matter	Dr. Hezekiah K. Chepkwony, PhD	Not Resolved	2016/2017 FY

**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.

# NATIONAL QUALITY CONTROL LABORATORY

For the year ended June 30, 2017

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## XVIII. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

### Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners - **NONE**

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)
1						
2						

# NATIONAL QUALITY CONTROL LABORATORY

For the year ended June 30, 2017

## XIX. Appendix 2: INTER-ENTITY TRANSFERS

ENTITY NAME:				
<b>Break down of Transfers from the State Department of (MoH - National Quality Control Laboratory)</b>				
<b>FY 16/17</b>				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	Indicate the FY to which the amounts relate
			.....	
		<b>Total</b>	.....	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	Indicate the FY to which the amounts relate
			.....	
		<b>Total</b>	.....	
c.	Direct Payments			
		<u>Bank Statement , Date</u>	<u>Amount (KShs)</u>	Indicate the FY to which the amounts relate
	KEMSA	June,2016 to June, 17	27,526,706	2016-17
	MoH (Disease surveillance)	June,2016 to June, 17	126,240	2016-17
	PPB	June,2016 to June, 17	903,600	2015-16
		<b>Total</b>	<b>28,556,546</b>	
d.	Donor Receipts		.....	
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	Indicate the FY to which the amounts relate
			.....	
		<b>Total</b>	.....	

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

# NATIONAL QUALITY CONTROL LABORATORY

For the year ended June 30, 2017

## XX. Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized					Total Transfers during the Year
						Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry of Health	As at June, 2017 (Not cash transfers, but Goods / services)		Recurrent	7,251,408	7,251,408	0	0	0	0	0	7,251,408
	As at June, 2017 (No cash transfers)		Development	0	0	0	0	0	0	0	0
	As at June, 2017 (No cash transfers)		Donor Fund	0	0	0	0	0	0	0	0
	As at June, 2017 (No cash transfers)		Direct Payment	0	0	0	0	0	0	0	0
	As at June, 2017 (No cash transfers)			0	0	0	0	0	0	0	0
<b>Total</b>	As at June, 2017 (Not cash transfers, but Goods / services)			7,251,408	7,251,408	0	0	0	0	0	7,251,408

*William Mwatu*

Dr. Hezekiah Kibet Chepkwony, PhD  
Director & Secretary to the Board  
Date 3rd MAY 18

Dr. William Mwatu,  
Chairman

03/5/18



# NATIONAL QUALITY CONTROL LABORATORY

For the year ended June 30, 2017

## PPE RECOMPUTATION / ADJUSTMENT TABULATIONS FOR F.Y 2015 - 16 & 2016 - 17

	2016-2017 Reported			2015-2016 Reported		
	2016-2017 Reported	Adjustments	Final / Adjusted	2015-2016 Reported	Adjustments	Final / Adjusted
Property plant and equi	55,337,218.00	14,061,908.52	69,399,126.52	58,013,176.00	19,702,295.16	77,715,471.16
Current assets						
Cash and cash equivalen	9,768,493.00		9,768,493.00	10,708,116.00		10,708,116.00
Trade and other receivat	58,978,244.00		58,978,244.00	36,577,084.00		36,577,084.00
Inventories (stock)	17,720,156.00		17,720,156.00	47,975,766.00		47,975,766.00
<b>Total Assets</b>	<b>141,804,111.00</b>	<b>14,061,908.52</b>	<b>155,866,019.52</b>	<b>153,274,142.00</b>	<b>19,702,295.16</b>	<b>172,976,437.16</b>
Current Liabilities						
Deferred Income - Dona	45,869,273.00		45,869,273.00	52,431,829.00		52,431,829.00
Trade and other Payable	21,559,154.00		21,559,154.00	39,183,982.00		39,183,982.00
Provisions for Bad Debts	1,778,335.00		1,778,335.00	1,097,313.00		1,097,313.00
<b>Total Liabilities</b>	<b>69,206,762.00</b>	<b>-</b>	<b>69,206,762.00</b>	<b>92,713,124.00</b>	<b>-</b>	<b>92,713,124.00</b>
Net Assets						
Reserves	60,561,018.00		80,263,313.16	32,224,428.00		32,224,428.00
Surplus / Deficit for the	6,412,043.00		771,656.35	28,336,590.00		48,038,885.16
	<b>66,973,061.00</b>	<b>-</b>	<b>81,034,969.52</b>	<b>60,561,018.00</b>	<b>-</b>	<b>80,263,313.16</b>
<b>Total Net Assets and Liab</b>	<b>136,179,823.00</b>	<b>14,061,908.52</b>	<b>150,241,731.52</b>	<b>60,561,018.00</b>	<b>19,702,295.16</b>	<b>172,976,437.16</b>
Revenue	82,350,467.00	(1,345,777.01)	81,004,690.00	111,989,505.00	21,326,843.98	133,316,348.98
Expenses	(75,938,424.00)	(4,294,609.64)	(80,233,033.64)	(83,652,915.00)	(1,624,548.82)	(85,277,463.82)
Surplus	6,412,043.00	(5,640,386.65)	771,656.35	28,336,590.00	19,702,295.16	48,038,885.16
Surplus	80,263,313.16		80,263,313.16	32,224,428.00		32,224,428.00
Surplus for the year	6,412,043.00	(5,640,386.65)	771,656.35	28,336,590.00	19,702,295.16	48,038,885.16
Acc Surplus	86,675,356.16		81,034,969.52	60,561,018.00		80,263,313.16