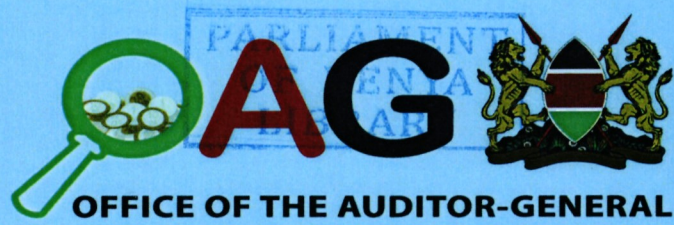


REPUBLIC OF KENYA



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*



**REPORT**

THE NATIONAL ASSEMBLY PADDIS I AID	
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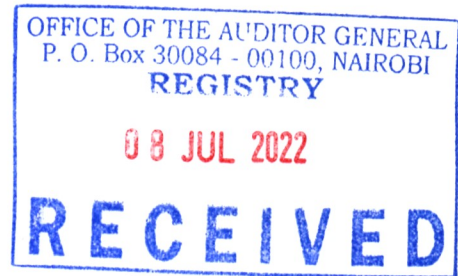
**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA MEDICAL RESEARCH INSTITUTE**

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



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**KENYA MEDICAL RESEARCH INSTITUTE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDING**  
**30<sup>TH</sup> JUNE 2021**

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

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

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

**(b) Principal Activities**

**Vision**

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

**Mission**

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

**Institute's Motto:**

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

**Core Values**

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

**Mandate**

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

- a) Conduct health, biomedical, and public health research for human health;
- b) Build human health research capacity;
- c) Collaborate and partner with other local and international research bodies and institutions in carrying out human health research and capacity building;

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- d) Advise the responsible Ministry in matters pertaining to health research policies and priorities;
- e) Undertake scientific and technological innovation as well as in the discovery, transmission and enhancement of knowledge and stimulate the intellectual life in the economic, social, cultural, scientific, and technological development;
- f) Establish incubation centres for innovation, and link research, policy makers, academia and industry in the health products value chain: and
- g) To do all such things that are necessary or desirable to carry out its functions.

**(c) Key Management**

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

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

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**(d) Fiduciary Management**

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

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

**(e) Fiduciary Oversight Arrangements**

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

1. Audit Committee

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

2. Human Resource Committee

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

3. Finance and Development Committee

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

4. Scientific Research and Innovation Committee

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

**KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

**(f) KEMRI Headquarters**

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

**(g) KEMRI Contacts**

Telephone: (254) 0202722541  
E-mail: [director@kemri.org](mailto:director@kemri.org)  
Website: [www.kemri.org](http://www.kemri.org)

**(h) Entity Bankers**

1. Kenya Commercial Bank  
Kipande House Branch  
P.O. Box 30012 - 00100,  
Nairobi
2. Cooperative Bank Limited  
China Centre Ngong Road Branch  
P.O Box 21831-00400  
Nairobi
3. Family Bank  
Kilimani Branch  
P. O. Box 74145-00200  
Nairobi

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**(i) Independent Auditors**

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


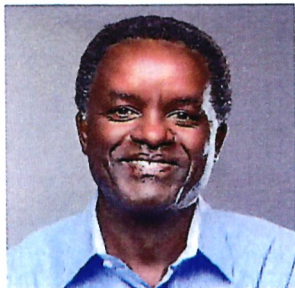

**(j) Principal Legal Adviser**

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

**2. THE BOARD OF DIRECTORS/COUNCIL**

<p>1. </p>	<p><b>Dr. Daniel M. Mbinda MBS</b> Chairman Board of Directors</p> <p><b>Qualifications</b> Postgraduate – Masters of Medicine in Dermatology Undergraduate - MBCHB</p> <p><b>Year of Birth:</b> 25/11/1954</p> <p><b>Current Employer</b></p> <p><b>Work Experiences</b></p> <ul style="list-style-type: none"><li>• DOD</li></ul>
<p>2. </p>	<p><b>Prof. Sam Kariuki</b> Ag. Director General /CEO KEMRI</p> <p><b>Year of Birth:</b> 24.7.1963</p> <p><b>Qualifications</b></p> <ul style="list-style-type: none"><li>• PhD- Tropical Medicine- University of Nairobi</li><li>• Msc. Pharmacology &amp; Toxicology- University of Nairobi</li><li>• Bachelor of Veterinary Medicine- University of Nairobi</li></ul> <p><b>Work Experiences</b> Kenya Medical Research Institute 1991 to Date.</p>




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<p>3.</p> 	<p><b>Amb. Dr. Wenwa Akinyi Odinga</b>          Independent Board Member,          Department of Chemistry          University of Nairobi, Chiromo Campus          P.O Box 30197–00100 Nairobi</p> <p><b>Year of Birth:</b> 1951</p> <p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• Doctorate degree in Chemistry</li> </ul> <p><b>Work Experiences</b></p> <ul style="list-style-type: none"> <li>• Lecturer – University of Nairobi – Department of Chemistry</li> <li>• Senior Chemist – Pyrethrum Board of Kenya</li> <li>• Worked with the commission for higher education</li> </ul>
<p>4.</p> 	<p><b>Prof. Timothy Waema</b>          Independent Board Member</p> <p><b>Year of Birth:</b> 1960</p> <p><b>Qualifications</b>  <b>Postgraduate</b> -Ph.D. degree in strategic management of information systems, University of Cambridge, U.K  <b>Undergraduate</b> –BSc. Electrical &amp; Electronics Engineering, University of Bath, U.K</p> <p><b>Current Employer University of Nairobi</b></p> <p><b>Work Experiences</b></p>
<p>5.</p> 	<p><b>Dr. F. George Njoroge</b>          Independent Board Member</p> <p><b>Year of Birth:</b> 20/04/1954</p> <p><b>Qualifications</b></p>



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	<p><b>PhD</b> - Chemistry 1985 Case Western Reserve University, Cleveland, Ohio <b>Masters</b> - M.S. Chemistry Nairobi University, <b>Undergraduate</b> - BSc. Chemistry - First Class Honors</p> <p><b>Current Employer KUTTRH</b></p> <p><b>Work Experiences</b></p> <ul style="list-style-type: none"><li>•</li></ul>
<p>6.</p> 	<p><b>Mrs. Marstella Kahindi</b> Independent Board Member</p> <p><b>Year of Birth: 10/10/1961</b></p> <p><b>Qualifications</b> <b>Masters</b> - Business Administration (MBA) UoN (Majoring in Strategic Management) <b>Undergraduate</b> - Bachelor of Arts</p> <p><b>Current Employer</b></p> <p><b>Work Experience</b></p> <ul style="list-style-type: none"><li>•</li></ul>
<p>7.</p> 	<p><b>Ms. Kanini Nthiga</b> Rep. Attorney General's Office</p> <p><b>Year of Birth: 29/09/1985</b></p> <p><b>Qualifications</b> Post Graduate Diploma in Law: Kenya School of Law <b>Undergraduate</b> - Bachelor of Laws (LLB) University of Nairobi</p>
<p>8.</p> 	<p><b>Mr. Geoffrey Malombe</b> Rep. PS National Treasury <b>Year of Birth: 22/12/1972</b></p> <p><b>Qualifications</b></p> <ul style="list-style-type: none"><li>• Masters Degree in Business Administration (finance)</li><li>• Bachelor of Science</li><li>• Certified Public Accountant (CPA)</li></ul> <p><b>Current Employer :National Treasury</b></p>







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<p>9.</p> 	<p><b>Dr. Rebecca Kiptui</b>  Rep. PS Ministry of Health</p> <p><b>Year of Birth:</b> 1971</p> <p><b>Qualifications</b>  Medical Doctor</p> <p><b>Current Employer</b></p> <ul style="list-style-type: none"> <li>• Head Universal Coverage Secretariat Ministry of Health</li> <li>• Technical Advisor to PS Health</li> <li>• Senior Deputy Director Medical Services</li> </ul> <p><b>Work Experiences</b></p> <ul style="list-style-type: none"> <li>• Technical Coordinator of the Kenya Malaria Indicator Survey 2015</li> </ul>
<p>10.</p> 	<p><b>Mr. Martin Machira</b>  Corporations Secretary &amp; Director Legal Services.</p> <p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• LLB (Hons) University of Nairobi</li> <li>• Masters in Law in International Trade &amp; Investment Law (LLM)-University of Nairobi.</li> <li>• A post graduate diploma in law from the Kenya School of Law, Certified Public Secretary(CPS-K),CPA, Arbitrator &amp; Mediator. I am also a commissioner of oaths and Notary Public.</li> </ul> <p><b>Work Experiences</b></p> <ul style="list-style-type: none"> <li>• Post admission experience as an advocate of the High Court of Kenya majoring in civil &amp; commercial litigation ,asset recovery, commercial and conveyancing law as well as corporate governance.</li> <li>• Member of the Law Society of Kenya (LSK) &amp; Institute of Certified Public Secretaries of Kenya(ICPSK).</li> </ul>






**3. MANAGEMENT TEAM**

<p>1. </p>	<p>Prof. Sam Kariuki          Ag. Director General/CEO KEMRI          Director Research and Development</p>
<p>2. </p>	<p>Mr. Anthony Wachira          Ag. Director Corporate Services</p>
<p>3. </p>	<p>Prof. Elijah Songok          Director Research Capacity Building</p>
<p>4. </p>	<p>Mr. Martin Machira          Corporation Secretary &amp; Director Legal Services</p>
<p>5. </p>	<p>Dr. Evans Amukoye          Ag. Director Research and Development</p>

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6. 	Mr. Edwin Bett Acting Director, Strategy & Compliance
7. 	Mr. Mungai Gachuhi Deputy Director, Human Resource
8. 	Mr. Anthony Wachira Deputy Director, Finance and Accounts
9. 	Mr. John Musau Deputy Director Administration
10. 	Dr. Kizito Lubano Director Scientific Partnerships and Grant Management.
11. 	Mr. Kalu Kitaba Deputy Director, Supply Chain Management

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<p>12. </p>	<p>Prof. Jennifer Orwa  Deputy Director, Resource Development &amp; Knowledge Management</p>
<p>13. </p>	<p>Dr. Elizabeth Echoka-Wafula  Deputy Director, Research Capacity Building/KEMRI Graduate School</p>
<p>14. </p>	<p>Mr. Davis Mkoji  Deputy Director, Corporate Communications</p>
<p>15. </p>	<p>Mr. Patrick Mutinda  Deputy Director , Quality Assurance &amp; Risk Management Coordinator</p>
<p>16. </p>	<p>Mr. Mahsen Abud  Deputy Director, Information Communication &amp; Technology (ICT)</p>
<p>17. </p>	<p>Mr. Patrick Gitau  Acting Deputy Director, Internal Audit</p>

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18. 	Mr. Philip K. Melly Acting Deputy Director, Performance Management
19. 	Dr. Cecilia Wanjala Acting Director, Commercial Enterprises
20. 	Eng. Grace Munoru Deputy Director, Engineering & Maintenance Department

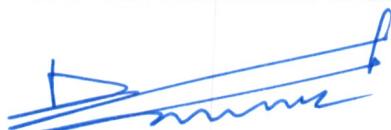
#### **4. CHAIRMAN'S STATEMENT**

The Kenya Medical Research Institute (KEMRI) Board of Directors, humbly submits the Annual Report and Financial Statement for the year 2020-2021 in accordance with the provisions of Section 20 of the Science and Technology (Amendment) Act of 1979 (Cap 250 of the Laws of Kenya).

This report gives an account of the achievements of the Institute within the financial period in review in KEMRI's core area of research, capacity building, innovation and service delivery.

As a Board, we remain grateful to the Government of Kenya for its continued profound assistance and support to the Institute. The Board is indebted to various partner institutions and governments that continue to support the Institute in various ways.

The Board is also grateful to the CEO and Director General, KEMRI and all staff for their invaluable effort and commitment in their motto serving KEMRI and humanity *In search of Better Health*.



**Dr. Daniel M. Mbinda, MBS**  
**Chairman,**  
**KEMRI Board of Directors.**

## **5. REPORT OF THE CHIEF EXECUTIVE OFFICER**

The period under review tested us in ways we have never experienced before, mainly due to the COVID-19 pandemic that ravaged the world for the better part of 2020 and 2021 with its pangs still lingering around.

However, ironically, this period also revealed the best in our researchers, scientists and health workers in ways never seen before in the recent past. Through courage and self-sacrifice our health workers, particularly our scientists no doubt fought gallantly against the COVID-19 scourge.

We also cannot forget to remember those who were affected or infected by the virus and even some gallant soldiers who passed on like our deeply missed Mr. Kamau Mugenda, who until his unfortunate death was our director in charge of Corporate Services. We continue to pray for God to strengthen us and his family as we come to terms with the loss. He was truly our hero in this war.

Although the period presented several challenges and constraints, the Institute set in place modalities of turning them into opportunities for greater public good.

The challenge of COVID-19 was therefore presented great research opportunities to understand, improve diagnosis, treatment, control with regard to finding effective solutions to conquer the virus. Our scientists seized the opportunity and explored various robust scientific solutions presented by the COVID-19 challenge.

During the beginning of COVID-19 pandemic, my office constituted the COVID-19 Rapid Response Team that advised on strategies of dealing with the crisis caused by COVID-19 and immediately embarked on mobilization of funds meant for other research into COVID-19 research. A total of 17 proposals on COVID -19 research were funded through the Internal Research Grants 2020/21 budget of Kes 158 million. Some of the results of these research studies has provided the necessary building blocks towards vaccine development, diagnostic kits and drug development for COVID-19 besides provision of key data has informed national decisions on management and control of the pandemic.

In the area of Human Resource development, the Institute continues to grow tremendously in research as well as staff capacity. The Board of Management successfully recruited 26 new highly trained scientists for the position of KMR4 and embarked on shortlisting candidates for the position of KM6 and additional 35 new scientists. The board of management also successfully interviewed for promotion of 67 members of staff; both research and support staff for KMR4 positions. The on-going process and another one by the Salary and Remuneration Commission (SRC) on Job Evaluation will no doubt inject new impetus and new blood into the system for better results in the near future.

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The roll out of phase one ERP system implementation exercise was completed towards the end of 2020, followed with the phase II initiated immediately.

In addition, during this period under review we embarked on the rehabilitation of some of our key infrastructure at the KEMRI Headquarters namely; the access road, the parking space, gate and the gate house, as well as the installation of CCTV cameras and access control system. The exercise is expected to be replicated throughout KEMRI facilities in the country.

Finally, let me take this opportunity to most sincerely thank all members of staff for being rated “Very Good” overall performance in accordance with the Performance Contract Self-Evaluation exercise facilitated by the Public Service Performance Management Unit during the period under review despite the challenges registered.

Indeed, we all know that good results for the Institute translates directly to better health for our people. We therefore re-dedicate our efforts towards service for the better lives of humanity keeping true to the Institute Motto, *In Search of Better Health*.

On a very special note, I wish to thank the Government of Kenya through the Ministry of Health for all the guidance, encouragement and support it has rendered to the Institute during the period under review.

We are also privileged to have a highly devoted Board of Management whose Chairman, **Dr. Daniel M. Mbinda**, I remain personally grateful, to for his very able stewardship, wise counsel and inspiring guidance in steering the affairs of the Institute.

I would also like to register my sincere appreciation to all our partners and members of staff for their selfless devotion to the Institute.

Thank you.



**Prof. Samuel Kariuki**  
**Ag. CEO and Director General, KEMRI**

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**6. STATEMENT OF KEMRI's PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021**

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

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

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

KEMRI develops its annual work plans based on the above five Themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2020/2021 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Research and Innovation	To strengthen investment in health Research and Innovation	Number of policy contributions	Translate research findings into policies and practice guidelines	48
		New research protocols developed & approved	Review and approve research proposals	143
		Ongoing Research Projects	Implement priority collaborative research projects	520
		Published Papers	Publish research findings	446
		Abstracts	Present research findings in scientific forums	93

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		Hold Scientific & Health Conferences	Organize conferences, symposia and workshops	1
		Diagnostic kits	production of diagnostic kits and other products	698,613
		Specialized laboratory services	provide specialized diagnostic services	1,335,872
Corporate Governance	To strengthen corporate governance by transforming and reengineering business processes	QMS implemented	Implement Quality Management Systems (ISO 9001,2015, ISMS)	ISO 9001:2015
		Skills gaps analysis	Implement skills gap analysis report	100%
Research Infrastructure	To upgrade research infrastructure and automate processes	Completion rate	Construction of laboratory and liaison office, Kirinyaga	60%
		Completion rate	Installation of incinerator at KEMRI Alupe, Busia	40%
		Completion rate	ICT infrastructure and automation	95%
		Completion rate	Rehabilitation of access roads and drainage in KEMRI HQ	100%
		Completion rate	Repair, renovations of staff quarters at Mbagathi	60%
		Completion rate	Construction of Perimeter walling at	80%

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			KEMRI CPHR/CMR	
KEMRI Graduate School of Health Research	To attain degree awarding status for KEMRI graduate school of Health sciences	Number of graduate researchers enrolled		59
		Short courses – No of participants trained		527
Financial Sustainability	To enhance and diversify resource mobilization as a step towards financial sustainability	Enhance income generation	Amount (Kes)	175,000,000

## **7. CORPORATE GOVERNANCE STATEMENT**

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

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

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

- Governance Audit

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

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

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

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

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

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

The Board's performance evaluation for the period was undertaken by the State Corporations Advisory Committee on 24<sup>th</sup> July, 2020.



**Corporate Secretary**

## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

### **1. Review of Performance**

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

#### **i) Research**

- a. The Institute developed four hundred thirty seven (437) new research proposals covering national health research priority areas with the aim of providing evidence based research data to inform policy formulation, prioritization of interventions, allocation of resources and revision of national treatment guideline.

## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

### **1. Review of Performance**

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

#### **i) Research**

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

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

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

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

- xvi. Understanding the mortality impact of COVID-19 from a longitudinal surveillance study in Kilifi County, Jun-21
- xvii. The International Tobacco Control Policy Evaluation Project, ITC Kenya National Report, Findings from the Wave 1 and 2 surveys (2012-2018); Policy brief launched on World no Tobacco Day May 31, 2021 and the brief is on MOH, Kenya website; [www.itcproject.org](http://www.itcproject.org).
- xviii. The Alpha (B.1.1.7) variant of concern continues to predominate SARS-CoV-2 infections in Kenya, June 2021
- xix. Genomic surveillance indicates dominance of local transmission of the global variants of concern in Kilifi Taita Taveta and Mandera counties in Kenya, July 2021
- xx. Genomic surveillance detects local transmission of the global variants of concern in nine counties in Kenya.pdf, July 2021
- xxi. Predominance of SARS-CoV-2 Variants of Concern 501Y.V1 and 501Y.V2 at the Kenyan Coast.pdf, April 2021
- xxii. COVID 19 How can we strengthen health systems to respond to everyday challenges\_\_.pdf, June 2020
- xxiii. Detection of SARS-CoV-2 Variant 501Y.V1 in Coastal Kenya.pdf, January 2021
- xxiv. Detection of SARS-CoV-2 Variant 501Y.V2 (South African origin) in Coastal Kenya.pdf, January 2021
- xxv. Detection of SARS-CoV-2 variant 501Y.V2 at Lunga Lunga Border Point, Kwale County.pdf, February 2021
- xxvi. Emergence-of-new-SARS-CoV-2-Variants-of-Concern.pdf, 2021
- xxvii. Evidence-from-serological-and-clinical-surveillance-and-predictive-modeling.pdf, August 2020
- xxviii. Genome-sequencing-of-SARS-CoV-2-cases-in-Kenya.-Report-2-2.pdf
- xxix. Policy Brief on COVID-19 Response in Border Counties\_18th December 2020\_2.pdf
- xxx. KHDSS Mortality Surveillance Policy Brief 14062021 - final.pdf
- xxxi. Kisumu Sequencing Brief June 11 2021 FINAL.pdf
- xxxii. Kisumu Sequencing Brief June 17 2021 (Western Kenya).pdf
- xxxiii. Kisumu Sequencing Brief June 18 2021 (Prison).pdf

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- xxxiv. Kisumu Sequencing Brief June 25 2021.pdf
- xxxv. Policy #23 on Genomic Sequencing - amukoye@gmail.com - Gmail.webarchive
- xxxvi. Explaining the Three Waves of the COVID-19 Transmission in Kenya using a Mathematical Model.pdf
- xxxvii. Interpreting SARS-CoV-2 RT-PCR Test ReInterpreting SARS-CoV-2 RT-PCR Test Results\_Experinces from KEMRI Kilifi.pdf, July 2020
- xxxviii. Regional Social and Epidemiological Vulnerability to COVID-19 in Kenya.pdf
- xxxix. What Does it Cost to Treat a COVID-19 Patient in Kenya.pdf, July 2020
  - xl. Therapeutic options for the management of COVID-19.pdf
  - xli. Projections-of-COVID-19-cases-and-deaths-following-schools-reopening.pdf, January 2021
  - xlii. Regional-Social-and-Epidemiological-Vulnerability-to-COVID-19-in-Kenya.pdf, June 2020
  - xliii. Reopening-schools-during-the-COVID-19-pandemic-A-summary-of-strategies-from-other-countries.pdf, October 2020
  - xliv. SARS-CoV-2 Genomic Diversity in Kenya, June – October 2020.pdf
  - xlv. SARS-CoV-2-genomic-diversity-in-Kenya-June—October-2020.pdf
  - xlvi. Status-of-the-COVID-19-pandemic-in-Kenya-October-2020.pdf, October 2020
  - xlvii. What-can-Kenya-Learn-from-other-Country-Responses-to-a COVID19-Second-Wave.pdf, October 2020
  - xlviii. What-is-the-role-of-testing-in-the-COVID-19-pandemic.pdf, June 2020

ii) **COVID-19 KEMRI Response**

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

iii) **Kenya Vision 2030 Flagship Projects**

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

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

- i) Formulation of authenticated herbal remedies for management of cancer and jigger eradication is complete. A product (Tungicide) has been developed awaiting field evaluation.
- ii) Pre-clinical studies for herbal medicines for cancer treatment  
One hundred and forty-seven (147) samples collected in Nairobi and Uasin Gishu. Microbial contamination and drug sensitivity studies have been completed for 117 samples; data analysis is ongoing. Cytotoxicity studies are also continuing. Data compilation for 5 samples tested against prostate and cervical cancer cell lines on going.
- iii) Development of therapeutic and supplemental foodstuffs to prevent and treat malnutrition  
Ujiplus

**iv) Innovations**

During performance period under review:

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

**v) Capacity Development**

**Infrastructural**

- a. The Institute continues to maintain the following accreditations:
  - i. WHO accreditation (CVR-EPI LABS polio/measles),

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- ii. Microbiology & Clinical Research Labs (CAP) (KEMRI/WRP Kericho),
  - iii. Seeking re-certification for ISO 15189:2012 (Medical laboratory (CVR, CGHR-TB/HVR/DLSP)),
  - iv. ISO 9001:2015 (QMS Requirements KEMRI),
  - v. Certified Clinical, Microbiology & Immunology labs (GCLP), CGMRC Kilifi, CGHR Kisumu, CCR Kombewa/Kondele/Kericho
  - vi. ISO/IEC17043:2010 General Requirements for Proficiency Testing (Production)
  - vii. Seeking re-certification for ISO 13485 (Medical devices (Production)).
  - viii. KEMRI is also pursuing ISO 15189:2012 Medical Laboratory certification for CCR, ESACIPAC, CVR HIV lab, KEMRI/RTCP-FACES, CGHR Malaria.
  - ix. Kericho Clinical Research laboratory accredited by the College of American Pathologists [2008].
- b. Fully fledged laboratory for Human Identification & Training for paternity and for disaster and crime scene investigation.
- c. Establishment of Stem cell research infrastructure, which is a Kenya Vision 2030 Flagship Project including acquisition of key equipment and training and generate cell lines for use in pre-clinical applications in diabetes and wound healing; ongoing.
- d. Next generation sequencing: Equipment including the Illumina- Miseq, Oxford nanopore and Roche 454 high through put sequencing platforms and soon to be supported by a High power computing facility under set up.
- e. The following research infrastructure was established and enhanced during the reporting period:
- i) Upgrading of the p3 laboratories CRDR
  - ii) Equipping of flu lab and P3 lab at HQ
  - iii) Design and construct research labs at KEMRI Kwale
  - iv) Construction and upgrade of BSL2 and other laboratories supported by USA Defence Threat Reduction Agency (DTRA)
- f. Other Infrastructure
- i) Repair, renovations of staff quarters at Mbagathi
  - ii) ICT infrastructure and automation
  - iii) Installation of CCTV, barrier access control

- iv) Rehabilitation/Replacement of water piping system at HQ
- v) Rehabilitation of access roads and drainage in KEMRI Kisian station
- vi) Rehabilitation of access roads, KEMRI HQ

**Human Resource**

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

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for LF elimination, took place in Ethiopia funded by coalition for operation on NTD (CORNTD) based at the Taskforce for global health, Atlanta, Georgia.

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

- f) Professional development
  - i) One Officer trained on Malaria Microscopy Competency offered by HuQAS
  - ii) Twelve staff trained on performance evaluation of a prototype rapid diagnostic test for the diagnostic of schistosomiasis
  - iii) KEMRI staff sensitized on COVID-19 Vaccination
  - iv) Ten officers trained on Miseq FGS Sequencing
  - v) Sixteen staff trained on Environmental Surveillance
  - vi) Thirty staff trained on Research Methodologies
  - vii) KEMRI facilitated training of thirty (30) staff in Monitoring and Evaluation in Global Health
  - viii) Sixty staff trained on Corporate Governance
  - ix) Six staff trained on Senior Management Course and Supervisory Skills course at KSG.

g) COVID-19 Training

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

vi) **Service delivery**

**a. Technical assistance**

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

**b. Outbreak response to VHF's**

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

**c. Laboratory services**

KEMRI increased specialized laboratory services offered in FY15/16-17/18 from 651,361 to 3,577,412 for FY18/19-20/21. These services include Viral Load

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testing which covers 75% of all National tests, PCR- Early Infant Diagnosis of HIV, HIV/Rapid Test and DNA tests. This was made possible through acquisition of new technology with the capacity to conduct one million tests quarterly. The technology further sends information to client on real time (both patients and health facility).

**d. Products**

The Institute developed and commercialized 1,475,919 diagnostic kits and other product, an increase from 161,951 from FY15/16-17/18. The products include: Culture Media (plates), Culture Media (Tubes), KEM-rub, TBcide, Safi Kem (Hand wash), Sheep blood and Distilled Water.

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

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

**viii) Recognition**

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

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

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

## **9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

KEMRI has put in place proper strategies that will ensure sustainability by taking into consideration the Institutes operations with regards to the social and economic environment. The Institute strive to work in harmony with our stakeholders, minimise negative environmental impacts and support communities that may need its support. To achieve this mainly focuses on stakeholder and community engagements, environment and health. The management ensures that these strategies are aligned to the Institute's operations. This has been done on the assumption that developing such strategies will foster the Institutes's continuity. The strategies include;

- ensuring compliance with environmental regulations
- e – waste policy
- environmental sustainability policy
- corporate social responsibility policy
- community engagement
- embedding sustainability in the business processes

### **1. Environmental performance**

The Institute recognizes that it has a responsibility to the environmental beyond legal and regulatory requirements. The Institute is committed to continually improving its environmental performance as an integral part of it business strategy and operating methods. KEMRI encourages all stakeholders to do the same. The Institute aims at complying with all regulatory requirements, continual improvement of environmental performance, continual improvement of its environmental by incorporating environmental factors in its business decisions, increasing awareness and employee training.

## **2. Employee welfare**

The Institute has a HR policy, HR instruments which provides guidance on the approach to be adopted on aspects of recruitment or hiring, career progression, promotion, performance appraisals and trainings. Annually, stakeholder engagement plan is created for implementation by the management. These forums provide provided sufficient opportunity to the stakeholders to voice their opinions and concerns that may influence operations. The plan is updated as necessary as stakeholder communication may change..

## **3. Market place practices-**

KEMRI has over the years it has built strong relationship with all stakeholders not only for research but also for them to understand the Institute's operations in order to gain goodwill and support. We gain our competitive advantages through delivering excellent customer services and quality products rather than through unethical or illegal business practices.

KEMRI plays a key role in supporting the delivery of the aspirations of Vision 2030 and the Governments 'Big Four Agenda' The Institute's activities fall under the Economic pillar of the Vision 2030 Economic blue print.

The Institute's procurement activities are guided by the Public Procurement and Regulatory Authority (PPRA) which is the regulatory body overseeing the public procurement and asset disposal systems as stipulated in the Act of 2015. The Agency submits quarterly reports to PPRA.

## **4. Community Engagements-**

KEMRI has made the commitment 'to be to be recognized as an organization that is ethical in all its dealings as well as making a positive contribution to the community in which it operates'.

In the financial year 20/21 despite the COVID-19 pandemic we aimed to meet our obligation by remaining focused towards ensuring we met our environmental and sustainability goal.

## 10. CSR REPORT DURING THE 2020-2021 PERIOD

### **PUBLIC SERVICE DURING THE COVID-19 PANDEMIC**

The Institute braved the anxieties and ravages of the COVID-19 pandemic to participate in a number of social action initiatives for the benefit of the deserving Kenyans.

Barely a few weeks after the dreaded pandemic was reported in the country, the Director General resolved to quickly take-up steps that would not only promote public health measures against the pandemic, but also mitigate its pangs on the society.

For instance, the Institute quickly repurposed its specialized laboratories throughout the country and began to supporting the Ministry of Health with mass public COVID-19 testing. Indeed, three quarters of all tests carried out in the country were done by in one or another of the Institute's facility.

In addition, the Institute also donated thousands and thousands of liters of the *Kemrub* hand sanitizers to hospitals, institutions like police and prison offices, schools and women groups among others.

Mbagathi Primary and High School was one of the beneficiaries of this charity. This public school neighbouring the Institute has an enrolment of at least 1,095 pupils and students, a majority from the sprawling Kibera slums. This school also has a special unit that accommodates the mentally and physically challenged children and has a perennial challenge of cleaning washing and drinking water. The mounting of 10 automated dispensers that is being regularly replenished with *Kemrub* sanitizers for the next one year free of charge at the cost of Ksh. 94,000 came in handy for Mbagathi school community in support of the COVID-19 mitigation containment measures.

Our lady of Grace Children's Home which caters for orphans, semi-orphans, destitute and abandoned girls in Marimba Nkubu in Meru County is another example that benefited.

It was all smiles for the 130 children of this Home when our team visited the centre towards the end of the year of December 2020 and donated *Kemrub* sanitizers and Tbcides valued at Ksh. 69,500, foodstuffs and toiletries among others.

Earlier, our very own football team, the KEMRI Football club that participated in the Nairobi West Branch regional league prior to COVID-19 pandemic disruption that adversely affected their sport and lives, were also fated not just with foodstuff, sanitation commodities, but also branded new kits and uniforms.

In 2021 the Institute joined other key stakeholders and organized medical camps targeting members of the public. The first one was a five-day event that coincided with the Africa Public Service Day held in collaboration with Kenya Medical Training College in Taita Taveta County from Monday 21<sup>st</sup> June, 2021.

The camp, also attended by area Member of Parliament, Dr. Naomi Shaban, the KMTC boss, Prof. Michael Kiptoo, Head KEMRI, Taveta Station, Dr. Jimmy Hussein Kihara among others saw specialized medical attention and public awareness on different preventable diseases, communicable or non-communicable offered. Some of the services offered include health promotion talks, regular health check-ups and screening for diabetes, high blood pressure, breast, cervical and prostate cancers screenings among others.

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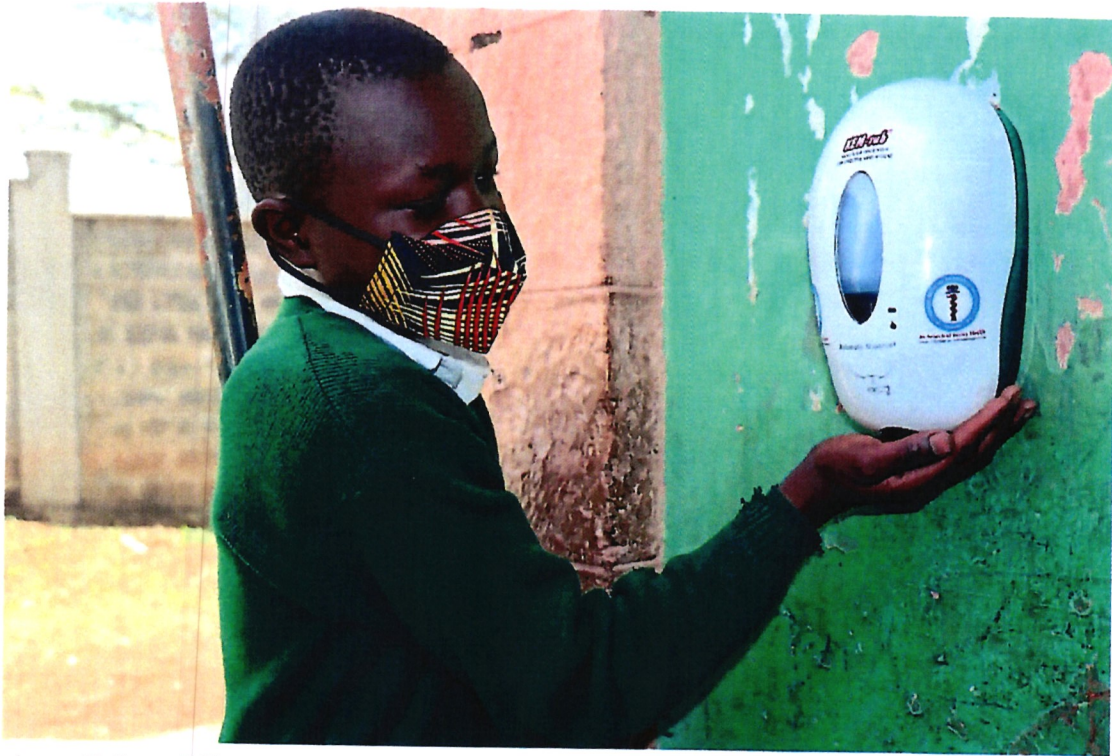
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During the World Hepatitis Day on 28<sup>th</sup> July 2021, together the Baringo County government and other partners, a team from KEMRI celebrated the day at Marigat Sub-County Hospital where they commemorated the day through screening and public awareness campaign against Hepatitis disease.

**PHOTOGRAPHS.**



***Kemri Staff Mr.Sammy installing one automated sanitizer inside Mbagathi Primary School.***



*A pupil from Mbagathi Primary school receiving a drop of sanitizer from the automated dispenser*



*Students from Mbagathi secondary school looking on as the automated dispenser is being installed outside their classroom.*



*Kenya Medical Research Institute (KEMRI) posing for a photo as they donate KEM-rub sanitizers and TBcides to the sisters' of Our lady of Grace children's home in Meru County.*



***KENYA MEDICAL RESEARCH INSTITUTE***  
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*Dr. Cecilia Mbae Research Scientist in KEMRI talking to the children at the children's home.*



*KEMRI staff team engaging with the kids at Our Lady Grace children home as they are on their daily errands of knitting.*



*Dr. Jimmy Kihara, Head KEMRI Taveta station, representing the Director, General makes his remarks during the official opening ceremony on 22<sup>nd</sup> June, 2021*

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*Ms. Pauline Mueni prepares to swab Hon. Dr. Naomi Shaban for Covid-19 test.*



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*Part of KEMRI team (Sahara Adan, Martha Maina and Judy Nyagah) donates sanitizers to health workers from Taveta Sub-County Hospital.*



*KEMRI Team that took part in the Taita Taveta Medical Camp.*



*Mr.Allan Mulera Team Manager and Mr.Evans Emily Team Coach receiving some of the items bought for the team from Dir. Partnership & Grantsmanship Dr.Evans Amukoye.*

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*Dr.Evans Amukoye Director partnership .Mr.Davis Mkoji Deputy Director Corporate Communications and Mr.Evans Emily Teams Coach showing off the new KEMRI'S Football Club jersey.*



*Kemri football club team posing for a group photo.*

## **11. REPORT OF THE DIRECTORS**

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

### **Principal activities**

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

### **Results**

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

### **Directors**

The members of the Board of Directors who served during the year are shown on page viii-x. During the year 2020-2021. Dr. Naphtali Agata (Chairman), Prof. Yeri Kombe, Prof. Peter Ngure, Dr. Naomi Mutea, Dr. Eric Oguora, Dr. Fatma M. Haji, Dr. Joseph Mutai and Harriet Gathoni retired. Dr. Daniel M. Mbinda (Chairman), Prof. Timothy Waema, Dr. F. George Njoroge and Ms Marstella Kaindi were appointed as new Directors and Prof. Sam Kariuki as the Ag. Director General.

### **Auditors**

The Auditor General is responsible for the statutory audit of the *institute* in accordance with Article 229 of the Constitution of Kenya 2010 and the Public Audit Act 2015 or Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *institute* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Corporate Secretary

Nairobi

Date.....

## **12. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

The Directors further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control. During the financial year 2020/2021 a deficit of ksh.272,161,916 was realized hence non-remittance to the consolidated fund.

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

**KENYA MEDICAL RESEARCH INSTITUTE**  
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**Approval of the financial statements**

The *entity's* financial statements were approved by the Board on \_\_\_\_\_ 2021 and signed on its behalf by:

Signature

Name


Chairperson of the Board/Council

  
Dr. Daniel Mbwaa

Signature

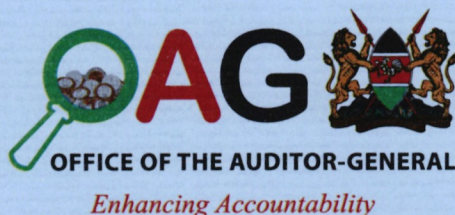
Name

Accounting Officer

  
Mr. Sam Karim

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Medical Research Institute set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2021, 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 Kenya Medical Research Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Science, Technology and Innovation Act, 2013.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Financial Statements**

#### **1.1. Unexplained Adjustment**

The statement of changes in net assets reflects an accumulated surplus of Kshs.1,221,187,024. Included in the balance is an adjustment of Kshs.108,383,245 which was not explained with an explanatory note, contrary to the provisions of Paragraphs 48 and 54 of the International Public Sector Accounting Standard (IPSAS) 3 which requires disclosure and correction of prior period errors.

#### **1.2. Errors in the Statement of Cash Flows**

The statement of cash flow reflects cash inflow from operating activities of Kshs.7,595,761,262 out of which an amount of Kshs.411,818,522 relates to capitation from the Government which was not received during the year under review. Further, cash outflow of Kshs.7,721,893,871 includes an amount of Kshs.19,283,456 for cleaning services and Kshs.1,392,000 for audit services which were not paid during the year under review.

#### **1.3. Inaccurate Commercial Enterprise Purchase Account**

The statement of financial performance reflects use of goods and services of Kshs.740,465,351 as disclosed in Note 6 to the financial statements. The amount includes commercial enterprise purchase account of Kshs.95,790,438, which excludes an amount of Kshs.12,000,000 paid to a firm for the supply of a chlorine-based stabilized decontaminant.

Further, the Institute paid an amount Kshs.15,896,000 for the supply of ethanol. However, the ethanol was delivered directly to the companies sub-contracted by the Institute to manufacture the Kemrub Sanitizers. The Institute did not put in place controls to ensure that the ethanol delivered to the companies was used solely for the manufacture of the Kemrub Sanitizers.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

The shortfall and under spending of the budget represents equivalent services budgeted for but not delivered.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1. Unapproved Mortgage Fund

The statement of financial position reflects cash and cash equivalents of Kshs.640,677,300 as disclosed in Note 16 to the financial statements. The amount includes mortgage account balance of Kshs.143,621,425. The Institute entered into an agreement on 2 March, 2012 with a bank to provide employees with a special housing scheme. However, there was no approval from the Cabinet Secretary for the management of the Fund. This is contrary to Regulation 207(1)(g) of the Public Finance Management (National Government) Regulations, 2015 which requires the Cabinet Secretary to grant approval in writing before establishment of a Fund.

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

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

#### 2. Collaborators Funds - Center for Geographical Medicine in Kilifi

Note 2 to the financial statements reflects collaborators funds of Kshs.4,386,313,311 while Note 12 reflects collaborators expenditure of Kshs.4,386,313,311. It was noted that the Kenya Medical Research Institute (KEMRI) entered into a Memorandum of Understanding with Oxford University and Wellcome Trust on 09 December, 2016 for a period of five (5) years for the purpose of promoting high quality biomedical research in Kenya. However, the following observations were made:

##### 2.1 Program Assets Not in the Name of the Institute

Review of records provided for audit indicated that the Center had twenty-nine (29) vehicles and forty-one (41) motor cycles that were registered in the name of Wellcome Trust Research Laboratories. This is contrary to Clause 9(a) of the Memorandum of Understanding between the Institute, Oxford University and Wellcome Trust which requires all scientific or other equipment funded by the Trust to belong to KEMRI, should the programme activities come to an end.

## **2.2 Unconfirmed Procurement of Motor Vehicles and Motorcycles**

Asset Management records indicated that KEMRI Wellcome Trust Research Project purchased twenty-one (21) motor vehicles and thirty (30) motorcycles amounting to Kshs.82,723,984. Although the Center has been granted exemption from import duty on goods procured under the KEMRI Wellcome Trust Research Projects, details on the importation of these vehicles and motorcycles were not provided.

## **2.3 Cash Purchase of Goods, Works and Service**

Review of the collaborators expenditure revealed that, the Institute incurred an expenditure of Kshs.52,603,613 for purchase of goods, works and services for various research projects through cash payments by employees without following the due procurement process. This is contrary to the second schedule of the Public Procurement and Asset Disposal Regulations, 2020 which sets the maximum low value procurement at Kshs.50,000 per item per financial year.

## **2.4 Collaboration at Kilifi KEMRI Centre**

The Institution sought an advisory opinion from the Attorney General in May, 2016 on the transfer of immunities and privileges enjoyed by Wellcome Trust and Oxford to African Research for Collaboration Health Limited (ARCH) which was declined vide a letter dated 13 July, 2016. The Attorney General noted that, they are distinct and the privileges enjoyed by Wellcome Trust and Oxford cannot be transferred to African Research for Collaboration Health Limited which is a local company incorporated under the Companies Act Cap 486 of the laws of Kenya. However, during the year under review, a total sum of Kshs.1,681,937,533 was received in KEMRI-Oxford University bank account from African Research for Collaboration Health Limited without a collaborative framework. ARCH which operates at the Kilifi KEMRI Centre, recognizes property and equipment acquired through the donor funds and prepares its own financial statements which are audited by a private auditor.

In the circumstances, Management was in breach of the law

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

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

## **Basis for Conclusion**

### **1. Officers in Acting Positions Beyond Six Months**

The statement of financial performance reflects employee costs of Kshs.2,473,540,993 as disclosed in Note 7 to the financial statements. Included in the amount is salary for five (5) officers in the management team who have been acting in those positions for more than six (6) months. This is contrary to Section C.14 (1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that, when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

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

### **2. Net Pay Below a Third of the Basic Pay**

The statement of financial performance reflects employee costs of Kshs.2,473,540,993 and as disclosed in Note 7 to the financial statements. Included in the amount are payments to three hundred and twenty-two (322) employees with net pay below a third of their basic pay. This is contrary to Section C.1(3) of Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries.

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

### **3. Failure to Maintain Stores Ledger**

The Institute buys finished KEMRUB hand sanitizers and TBCIDES (chlorine-based stabilized decontaminant) for resale through its production department. However, there was no stores ledger or bin cards among other inventory records. There was also no evidence of stock take as at 30 June, 2021. In addition, the dates for goods received notes and stores issue vouchers were similar since the deliveries were made directly to customers instead of being received by the Institute for subsequent issuance. Further, there were no inspection and acceptance reports.

In the circumstances, the internal controls put in place by Management are weak.

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

## **Responsibilities of Management and the Board of Directors**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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

- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

04 August, 2022

**KENYA MEDICAL RESEARCH INSTITUTE**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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

	Notes	2020-2021	2019-2020
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfer from Ministry of Health	1	2,577,644,999	2,951,288,215
Collaborators Funds	2	4,386,313,311	4,419,799,754
<b>Revenue from exchange transactions</b>			
Rental revenue from facilities and equipment	3	29,204,188	26,277,250
Finance income - external investments	4	42,651,930	30,713,177
Other income	5	559,946,835	477,572,347
<b>Total revenue</b>		<b>7,595,761,262</b>	<b>7,905,650,742</b>
<b>Expenses</b>			
Use of goods and services	6	740,465,351	125,655,277
Employee costs	7	2,473,540,993	2,243,301,000
Remuneration of directors	8	25,227,518	51,638,012
Depreciation and amortization expense	9	146,083,403	136,618,808
Repairs and maintenance	10	46,979,460	22,881,295
Contracted services	11	49,367,237	54,637,541
Collaborators Expenses	12	4,386,313,311	4,390,858,010
Operating Expenses	13	-	202,913,738
General Expenses	14	-	617,357,335
<b>Total expenses</b>		<b>7,867,977,274</b>	<b>7,845,861,018</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets	15	54,097	
<b>Surplus/( deficit) for the period/year</b>		<b>(272,161,916)</b>	<b>59,789,725</b>

The notes set out on pages 7 to 27 form an integral part of these Financial Statements.  
The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
**Accounting Officer**

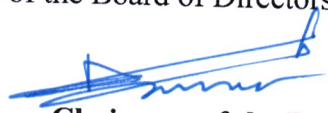
Name: Prof. Sam Kariuki

Date

5/7/2022

  
**Head of Finance**

Name: Anthony Wachira  
ICPAK Member Number:  
Date

  
**Chairman of the Board**

Name: Dr. Daniel Mbinda

Date


7/7/22

**KENYA MEDICAL RESEARCH INSTITUTE**  
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**For the year ended June 30, 2021.**

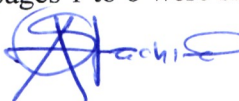
**14 STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2021**

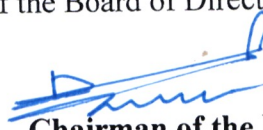
	Notes	2020-2021	2019-2020
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	640,677,300	1,264,706,187
Receivables from exchange transactions	17	611,108,467	-
Receivables from non-exchange transactions	18	411,818,522	508,400,729
Investments	19	484,606,500	513,399,500
		<b>2,148,210,790</b>	<b>2,286,506,416</b>
<b>Non-current assets</b>			
Property, plant and equipment	20	20,103,286,132	20,096,694,613
Intangible assets	21	48,107,511	58,250,627
Investment property	22	952,751,998	958,637,830
Capital projects-Work in Progress	28	6,360,299	-
		<b>21,110,505,939</b>	<b>21,113,583,070</b>
<b>Total assets</b>		<b>23,258,716,729</b>	<b>23,400,089,486</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	23	627,522,544	719,706,788
Refundable deposits from customers	25	53,449,457	48,982,367
Grant funds	24	938,140,389	851,970,644
Bank Overdraft		-	3,040
Deferred Income	26	195,516,589	171,560,226
		<b>1,814,628,979</b>	<b>1,792,223,064</b>
<b>Net assets</b>		<b>21,444,087,750</b>	<b>21,607,866,422</b>
Capital replacement development reserve/ Capital Reserve		2,851,394,108	
Revaluation Reserve		17,371,506,618	21,548,076,697
Accumulated surplus		1,221,187,024	59,789,725
<b>Total net assets and liabilities</b>		<b>21,444,087,750</b>	<b>21,607,866,422</b>

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

  
**Accounting Officer**  
**Name:** Prof. Sam Kariuki

Date 5/7/2022

  
**Head of Finance**  
**Name:** Anthony Wachira  
 ICPAK Member Number: 654F  
**Date** 30/6/2022

  
**Chairman of the Board**  
**Name:** Dr. Daniel Mbinda  
**Date** 7/7/22

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2021**

	Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 1 July 2019</b>	<b>2,851,394,108</b>	<b>17,371,506,618</b>	<b>1,325,175,971</b>	<b>21,548,076,696</b>
Surplus for the period			59,789,725	
<b>Balance as at 30 JUNE 2020</b>	<b>2,851,394,108</b>	<b>17,371,506,618</b>	<b>1,384,965,695</b>	<b>21,607,866,421</b>
Accumulated surplus/deficit adjustments			108,383,245	
Surplus for the period			(272,161,916)	
<b>Balance as at 30 JUNE 2021</b>	<b>2,851,394,108</b>	<b>17,371,506,618</b>	<b>1,221,187,024</b>	<b>21,444,087,750</b>

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**For the year ended June 30, 2021.**


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

	2020-2021	2019-2020
	Kshs	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfer from Governments	2,577,644,999	2,951,288,215
Collaborators Funds	4,386,313,311	4,419,799,754
Rental revenue from facilities and equipment	29,204,188	26,277,250
Finance income - external investments	42,651,930	30,713,177
Revenue Generating Activities	268,529,464	239,694,084
Graduate Program (ITROMID)	18,924,515	19,663,890
Miscellaneous Income	3,134,278	8,244,910
Overheads	269,358,577	209,969,463
<b>Total Receipts</b>	<b>7,595,761,262</b>	<b>7,905,650,742</b>
<b>Payments</b>		
Use of goods and services	740,465,351	125,655,277
Employee costs	2,473,540,993	2,243,301,000
Remuneration of directors	25,227,518	51,638,012
Repairs and maintenance	46,979,460	22,881,295
Contracted services	49,367,237	54,637,541
Collaborators Expenses	4,386,313,311	4,390,858,010
Operating Expenses	-	202,913,738
General Expenses	-	617,357,335
<b>Total Payments</b>	<b>7,721,893,871</b>	<b>7,709,242,210</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>(126,132,609)</b>	<b>196,408,533</b>
<b>Cash flows from investing activities</b>		
Decrease/(Increase) in receivables from exchange transactions	(611,108,467)	-
Decrease/(Increase) in receivables from non-exchange transactions	96,582,207	(61,474,819)
( Increase)/Decrease in Short term deposits	28,793,000	(96,737,700)
Increase in payables	(92,184,244)	501,370,583
Decrease in Deferred Income	23,956,363	11,763,316
Increase in Refundable deposits from customers	4,467,090	13,233,161
(Decrease) in bank overdraft	(3,040)	3,040
Increase in Collaborators Funds - payment received in advance	86,169,746	(74,910,416)

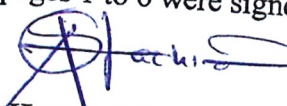
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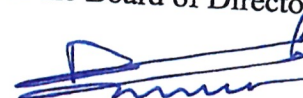
Purchase of property, plant, equipment and intangible assets	(144,017,176)	(218,688,815)
Proceeds from sale of property, plant and	1,065,000	
Adjustment on Intangible assets accumulated Depreciation		
Adjustment on accumulated reserve	108,383,245	
<b>Net cash flows used in investing activities</b>	<b>(497,896,278)</b>	<b>74,558,349</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(624,028,887)</b>	<b>270,966,882</b>
Cash and cash equivalents at 1 JULY	1,264,706,187	993,739,305
<b>Cash and cash equivalents at 30 JUNE</b>	<b>640,677,301</b>	<b>1,264,706,187</b>

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

  
**Accounting Officer**  
 Name: Prof. Sam Kariuki

Date 5/7/2022

  
**Head of Finance**  
 Name: Anthony Wachira  
 ICPAK Member Number: 6547  
 Date 30/6/2022

  
**Chairman of the Board**  
 Name: Dr. Daniel Mbinda  
 Date 7/7/22

**KENYA MEDICAL RESEARCH INSTITUTE****Annual Reports and Financial Statements****For the year ended June 30, 2021.****STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2021**

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs
<b>Revenue</b>										
GOK Recurrent	2,371,444,999		-		2,371,444,999		2,371,444,999		-	
GOK Development	206,200,000				206,200,000		206,200,000		-	
Collaborators funds	5,331,150,000		-		5,331,150,000		4,386,313,311		-944,836,689	
Sundry Income - Overheads	396,842,281		-		396,842,281		269,358,577		-127,483,704	
Rendering of services - Revenue Generating	91,000,000		-		91,000,000		290,588,257		199,588,257	
Finance Income - Interest on investments	54,000,000		-		54,000,000		42,651,930		-11,348,070	
Rental income	30,000,000		-		30,000,000		29,204,188		-795,812	
<b>Total income</b>	<b>8,480,637,280</b>		<b>-</b>		<b>8,480,637,280</b>		<b>7,595,761,262</b>		<b>-884,876,018</b>	
<b>Expenses</b>										
Compensation of employees- Exchequer	2,252,897,195		-		2,252,897,195		2,473,540,993		-220,643,798	
Compensation of employees- Collaborators	3,198,690,000		-		3,198,690,000		2,601,284,872		597,405,128	
Goods and services-Exchequer	763,776,432		-		763,776,432		1,008,122,970		-244,346,538	
Goods and services-Collaborators	2,132,460,000				2,132,460,000		1,785,028,439		347,431,561	
<b>Total expenditure</b>	<b>8,347,823,627</b>		<b>-</b>		<b>8,347,823,627</b>		<b>7,867,977,273</b>		<b>479,846,353</b>	
<b>Surplus for the period</b>	<b>132,813,653</b>		<b>-</b>		<b>132,813,653</b>		<b>(272,216,011)</b>			

The 2020/21 FY employee cost included Ksh 230 million being implementation of SRC job evaluation phase II. There was also increase in use of goods and services due to inflation and effects of COVID 19.

## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

### **2. Statement of compliance and basis of preparation – IPSAS 1**

The Institute's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Institute. The institute has changed from IFRS to IPSAS in order to comply with the Public Finance Act (2000)

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

### **3. Summary of significant accounting policies**

#### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions – IPSAS 23**

#### **Transfers from other government entities**

Revenues from non-exchange transactions from Exchequer and other collaborative partners are measured at fair value and recognized on obtaining control of the asset cash, if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Institute and can be measured reliably.

#### **Deferred Income**

The national government transferred Kshs. 23,956,363, being research funding during the year. At the end of the financial year, the balance in the deferred income of Kshs. 195,516,589 has been recorded as a Liability in the statement of financial position.

##### **ii) Revenue from exchange transactions – IPSAS 9**

#### **Rendering of services**

The Institute recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

***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 Institute

***iii) 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.

**3. Budget information – IPSAS 24**

The original budget for FY 2020-2021 was approved by the National Assembly April 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by KEMRI upon receiving the respective approvals in order to conclude the final budget.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 8 of these financial statements.

**Notes to the Budget**

**1. Collaborators funds- Ksh 4,386 million**

The collaborators funds during the year totalled Ksh 4,386 million compared to Ksh 4,419 million during 2019/20 FY. This is a marginal decline of Ksh 33 million (0.7%) as a result of the US Government reducing external funding to countries.

**2. Overheads- Ksh 269 million**

The overheads income in 2020/21 FY is Ksh 269 million compared to Ksh 210 million, a increase of Ksh 59 million (28.3%). Management have keenly followed up on all new project funds to ensure that overheads are included.

**3. Interest on investments- Ksh 42.6 million.**

The Interest on investment increased to 42.6 million in 2020/21 FY from Ksh 30.7 million as a result of interest earned on The uplifting of a fixed deposit of 30 Million fixed in an Escrow account. as collateral on case of Dr Samson ogwer and others on 18<sup>th</sup> July 2014, The industrial Court ruled that a sum of Kshs.30, 000,000 be deposited in an Escrow account.

**4. Other income- Ksh 268.5 million.**

The Institute generated Ksh 268.5 million on other incomes during 2020/21 FY compared to Ksh 239.7 million in 2019/20 FY. The growth is attributed to increase in sales by Production Unit

**5. Expenditure**

The Institute's exchequer staff cost for the year amounted to Ksh 2,473 million compared to Ksh 2,243 million in 2019/20 FY; an increase of Ksh 230 million. The 2020/21 FY employee cost included Ksh 230 million being implementation of SRC job evaluation phase II. There was also increase of personnel cost due to employment of sixty-five employees to help in UHC and COVID 19.

**7. 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 properties are recognized when either 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.

**b) 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 Institute recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs

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are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

Office and residential buildings	1.0%
Office and medical equipment	2.5%
Office furniture	2.5%
Motor Vehicle	5%
Computer and related equipment	25%
Boat	5%
Intangible assets–IPSAS 31	25%

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets are amortized at the rate of 25% with an expected life of four years. The useful life of the intangible assets is assessed as either finite or indefinite.

**c) Research and development costs**

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

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

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

**d) Provisions – IPSAS 19**

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

Where the Institute expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

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

**e) Nature and purpose of reserves**

The Institute creates and maintains reserves in terms of specific requirements. Institute to state the reserves maintained and appropriate policies adopted.

**f) Changes in accounting policies and estimates – IPSAS 3**

The Institute recognizes the effects of changes in accounting policy retrospectively. The graduate school academic year starts in May. Previously, the revenue was recognized in full at the beginning of the academic year but in the year under review, the revenue has been apportioned to the two financial years.

**g) Employee benefits – IPSAS 25**

**Retirement benefit plans**

The Institute provides retirement benefits for its employees. Defined contribution plans are postemployment benefit plans under which an Institute pays fixed contributions into a separate Institute (a fund administrator), 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.

**h) 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.

**i) Service concession arrangements – IPSAS 32**

The Institute 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 Institute 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 Institute also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**j) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and 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 at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions, which were not surrendered or accounted for at the end of the financial year.

**k) Comparative figures**

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

**l) Subsequent events – IPSAS 14**

**Petition No. 31 of 2013 KEMRI Vs Agnes Muthoni & 34 others: -**

The court directed that a deposit of Ksh 50,570,578 be made in an interest earning bearing account held jointly by council for the petitioners and the 1st interested party. These funds are kept in an Escrow account.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a) Revenue recognition (Continued)**

**ii) Revenue from exchange transactions**

***Rendering of services***

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

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

***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 KEMRI.

**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 KEMRI'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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**1. Transfers from Other Government Entities**

(a)

Description	2020-2021	2019-2020
	KShs	KShs
<b>Conditional grants</b>		
Recurrent	2,362,999,999	2,719,688,215
Development	206,200,000	231,600,000
Emergency Funds-COVID	8,445,000	
<b>Total government grants and subsidies</b>	<b>2,577,644,999</b>	<b>2,951,288,215</b>

*(Explain the purpose of funding)*

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

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total transfers 2020/21	Prior year 2019/2020
			KShs	KShs	KShs
Recurrent	2,362,999,999			2,362,999,999	2,719,688,215
Development	206,200,000		206,200,000	206,200,000	231,600,000
Emergency Funds-COVID	8,445,000			8,445,000	
<b>Total</b>	<b>2,577,644,999</b>		<b>206,200,000</b>	<b>2,577,644,999</b>	<b>2,951,288,215</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**2. COLLABORATORS FUNDS**

Description	2020-2021	2019-2020
	KShs	KShs
Collaborators Funds	4,386,313,311	4,419,799,754
Contributed revenue		
<b>Total revenue from the rendering of services</b>	<b>4,386,313,311</b>	<b>4,419,799,754</b>

**3. Rental Revenue from Facilities and Equipment**

Description	2020-2021	2019-2020
	KShs	KShs
Rent from Institutional houses	29,204,188	26,277,250
Contingent rentals		
<b>Total rentals</b>	<b>29,204,188</b>	<b>26,277,250</b>

**4. Finance Income**

Description	2020-2021	2019-2020
	KShs	KShs
Cash investments and fixed deposits	13,087,948	953,548
Interest income from Treasury Bills	29,563,982	29,759,629
<b>Total finance income – external investments</b>	<b>42,651,930</b>	<b>30,713,177</b>

**5. Other Income**

Description	2020-2021	2019-2020
	KShs	KShs
Revenue Generating Activities	268,529,464	239,694,084
Graduate Program (ITROMID)	18,924,515	19,663,890
Miscellaneous Income	3,134,278	8,244,910
Sundry Income - Overheads	269,358,577	209,969,463
<b>Total other income</b>	<b>559,946,835</b>	<b>477,572,347</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. Use of Goods and Services**

Description	2020-2021	2019-2020
	KShs	KShs
Electricity	83,890,763	110,078,095
Water	8,529,399	11,711,092
Subscriptions	3,186,728	3,866,089
Laboratory reagents & supplies	66,168,921	
Purchase of drugs & dressings/staff clinic	2,034,817	
Purchase of animal feeds	14,800	
Research Programs -Internal	32,242,776	
Research funding	19,210,000	
Research Materials	450,001	
Incineration Services	1,206,484	
Graduate School Charter	3,275,080	
Lab Tests, Sample Processing and Storage	-	
Commercial Enterprise Purchase A/C	95,790,438	
Research Grants Coordination	181,200	
Transport	17,644,151	
Travelling & accommodation	54,770,458	
Legal expenses	13,444,980	
External travelling & accommodation.	2,205,598	
Postal & telegrams	399,134	
Telephones	3,218,401	
Official entertainment	58,194	
Conferences, Seminars & Workshops	9,362,725	
Purchase of consumable stores	69,638,003	
Publishing & printing	4,291,179	
Purchase of uniforms & clothing	1,343,189	
Library Expenses	76,800	
Purchase of stationery	8,411,186	
Advertising, publicity & shows	8,945,032	
Industrial Diesel	18,117,946	
Rents and rates	3,147,852	
Computer Expenses	6,494,925	
Internet service	15,471,503	
Miscellaneous	1,776,331	
Audit Fees	1,392,000	
Fees Commission & Honoraria	5,592,500	
Training	21,240,629	

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Insurance - Fire and burglary		
Insurance - Motor Vehicle	10,181,652	
Prevention of Drugs & Substance Abuse	162,186	
Financial control & Inspections/Int audit	7,665,740	
Staff Welfare	19,169,037	
Strategic Initiatives	31,106,934	
Gender Mainstreaming		
Disability Mainstreaming		
Bank Charges	4,069,525	
Valuation of Fixed Assets	1,186,400	
Devolution Expenses	1,334,900	
Remittances-JKUAT		
Human Resource Consultancy	726,137	
Workshops		
HIV Awareness	175,200	
CDC Vendors Debt	3,035,198	
CDC Debt Repayment		
Erp Licence	6,861,632	
Bad Debts		
Corruption Eradication		
Compensation & ex-gratia payments		
CCR catering services	4,506,184	
New products Devt costs		
COVID-19	10,359,011	
Calibration of Assets	6,701,494	
Pension Scheme- DBS	50,000,000	
<b>Total good and services</b>	<b>740,465,351</b>	<b>125,655,277</b>

**7. Employee Costs**

	2020-2021	2019-2020
	KShs	KShs
Basic Salary	1,320,215,004	1,101,823,445
Gratuity & pension contribution	200,373,756	198,109,205
House allowance	303,016,542	357,740,893
Other allowance	497,381,360	343,284,176
Passages & leave	6,114,500	6,502,070
Staff Insurance	17,945,721	20,506,389
Medical & Ex-gratia	128,494,110	215,334,822
<b>Employee costs</b>	<b>2,473,540,993</b>	<b>2,243,301,000</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. Board Expenses**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Sitting Allowance	9,833,256	16,059,320
Travel & Accommodation	11,167,831	27,755,355
Official Entertainment	469,500	625,940
Insurance	37,800	5,000
Honoraria	800,000	960,000
Telephone	60,000	72,000
Training	2,859,132	6,160,397
<b>Total Board Expenses</b>	<b>25,227,518</b>	<b>51,638,012</b>

**9. Depreciation and Amortization Expense**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Property Plant and Equipment	107,941,307	102,963,472
Investment Property	10,606,177	10,557,449
Intangible Assets	27,535,919	23,097,886
<b>Total depreciation and amortization</b>	<b>146,083,403</b>	<b>136,618,808</b>

**10. Repairs and Maintenance**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Maintenance. -Plant, mach.& equip.	20,774,507	6,200,891
Maintenance - buildings & stations	25,717,953	15,955,294
Maintenance of Water &Sewer	487,000	725,110
<b>Total repairs and maintenance.</b>	<b>46,979,460</b>	<b>22,881,295</b>

**11. Contracted Services**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Security Expenses	30,083,781	38,611,911
Contracted Services - Cleaning	19,283,456	16,025,630
<b>Total contracted services</b>	<b>49,367,237</b>	<b>54,637,541</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. Collaborators Expenses**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Staff Costs	2,601,284,872	2,937,006,362
Bank Charges	1,984,535	1,791,087
Training	12,016,457	13,407,933
Laboratory Supplies	82,794,089	48,259,221
Travelling and Accommodation	142,473,289	116,254,694
Motor Vehicle Expenses	23,946,711	21,735,144
Purchase of assets	18,119,220	18,576,953
Other Operating Expenses	1,503,694,137	1,233,826,616
<b>Total Collaborators Expenses</b>	<b>4,386,313,311</b>	<b>4,390,858,010</b>

**13. Operating Expenses**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Laboratory reagents & supplies		146,240,896
Purchase of drugs & dressings/staff clinic		1,362,582
Purchase of animal feeds		314,860
Research Programs -Internal		139,900
Research funding		9,258,960
Research Materials		156,380
Incineration Services		1,193,274
Graduate School Charter		4,179,385
Lab Tests, Sample Processing and Storage		4,120,202
Commercial Enterprise Purchase A/C		35,947,299
Research Grants Coordination		
<b>Total Operating Expenses</b>		<b>202,913,738</b>

**14. General Expenses**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Transport		15,328,654
Travelling & accommodation		86,069,651
Legal expenses		7,991,356
External travelling & accommodation.		11,766,853

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Postal & telegrams		291,498
Telephones		3,966,323
Official entertainment		817,640
Conferences, Seminars & Workshops		18,002,884
Purchase of consumable stores		46,987,438
Publishing & printing		3,743,698
Purchase of uniforms & clothing		1,375,772
Library Expenses		151,284
Purchase of stationery		9,472,630
Advertising, publicity & shows		8,904,189
Industrial Diesel		24,785,389
Rents and rates		-
Computer Expenses		26,938,893
Internet service		16,741,489
Miscellaneous		5,923,597
Audit Fees		1,392,000
Fees Commission & Honoraria		10,697,750
Training		27,673,437
Insurance - Fire and burglary		1,473,264
Insurance - Motor Vehicle		9,247,536
Prevention of Drugs & Substance Abuse		
Financial control & Inspections/Int audit		916,599
Staff Welfare		13,620,624
Strategic Initiatives		25,686,534
Gender Mainstreaming		391,224
Disability Mainstreaming		
Bank Charges		4,791,911
Valuation of Fixed Assets		2,217,280
Devolution Expenses		136,000
Remittances-JKUAT		
Human Resource Consultancy		7,925,400
Workshops		
HIV Awareness		686,820
CDC Vendors Debt		
CDC Debt Repayment		105,900,000
Erp Licence		-
Bad Debts		110,403,140
Corruption Eradication		282,100
Compensation & ex-gratia payments		
CCR catering services		1,843,577
New products Devt costs		

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COVID-19		2,812,900
Calibration of Assets		
Pension Scheme- DBS		
<b>Total general expenses</b>		<b>617,357,335</b>

**15. Gain on sale of assets**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Proceeds on sale	1,065,000	-
Accumulated Depreciation	9,418,097	-
Disposed Assets at cost	(10,429,000)	-
<b>Total gain on sale of assets</b>	<b>54,097</b>	<b>-</b>

**16. Cash and Cash Equivalents**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Current account	640,677,300	1,264,706,147
Cash at Hand		-
<b>Total cash and cash equivalents</b>	<b>640,677,300</b>	<b>1,264,706,187</b>

**16 (a) Detailed Analysis of the Cash and Cash Equivalents**

<b>Financial institution</b>	<b>Account number</b>	<b>2021-2021</b>	<b>2019-2020</b>
		<b>KShs</b>	<b>KShs</b>
<b>a) Current account</b>			
KCB			
Exchequer	1104161362	106,558,695.92	326,390,506
ITROMID Account	1104167611	42,116,191.32	38,352,475
RGA	1104174529	43,583,727.99	68,876,592
Production Department	1104166194	1,810,518.50	360,717
Conference Collection	1112776850	8,443,435.30	9,344,515
External Grants	1104158574	188,545,253.76	343,703,936
RCTP	1104166879	-	4,361
IPM	1110258925	8,997,619.35	18,760,930
KEMRI CDC	1104175975	1,019,110.56	1,021,241
Local Grants	1104161966	5,270,147.72	174,087,064
Dollar Account	1168110491	-	
Euro Account	1170930956	-	-
CDC/Non Grants Accounts	1123818177	2,228,139.75	8,266,710
Welcome Trust	1110259204	8,896,926.65	8,899,057

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CDC Research Grants	1101722291	58,643,875.68	38,856,609
<b>FAMILY BANK</b>			
Mortgage Account	46000014289	143,621,425.83	219,961,930
Kemri Oxford University	46000012346	182,556.46	186,8
<b>Cooperative bank</b>			
CNHR RLGA	1128126178201	195,406.11	195,406
CNHR RLGA	1128126178200	3,688,499.98	3,702,890
CNHR RLGA	,1128126178202	282,740.92	282,741
CNGR RLGA	1128126178203	13,165,697.62	902
KEMRI IPM SUBA	1128126178700	2,953,582.85	2,966,783
KEMRI EAST AFRICA	,1128126671100	473,747.79	483,948
KEMRI/EDCPT	,1128127558400		
<b>Sub- total</b>		<b>640,677,300</b>	<b>1,264,706,187</b>
cash in hand		-	
M-pesa		-	
<b>Sub- total</b>		-	
<b>Grand total</b>		<b>640,677,300</b>	<b>1,264,706,187</b>

**17. Receivables from Exchange Transactions**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current receivables</b>		
Graduate school – Outstanding Fees	106,128,450	-
Interest Recievable	761,217	-
Sande Makhandia & Co. Advocates	120,000,000	-
Ngetich Ciira Advocates	5,848,220	-
Advances to Centres	183,935,605	-
Staff advances	84,461,574	-
Over remitted Statutory Deduction	770,612	-
Miscellaneous	86,860,920	-
Customers/suppliers Control Account	98,183,463	-
Net Salary Payable	87,767,898	-
<b>Total Receivables</b>	<b>774,717,959</b>	-
Less: impairment allowance	(163,609,492)	-
<b>Total current receivables</b>	<b>611,108,467</b>	-

**18. Receivables from Non-Exchange Transactions**

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Graduate school – Outstanding Fees	-	107,844,571
Interest Recievable	-	4,651,789
Capitation-Recurrent	411,818,522	139,371,855
Sande Makhandia & Co. Advocates	-	120,000,000
Ngetich Ciira Advocates	-	5,848,220
Advances to Centres	-	126,376,153
Staff advances	-	67,370,969
Over remitted Statutory Deduction	-	369,900
Miscellaneous	-	21,834,665
Customers/suppliers Control Account	-	61,478,263
Net Salary Payable	-	16,863,835
<b>Total Receivables</b>	<b>411,818,522</b>	<b>672,010,221</b>
Less: impairment allowance	-	(163,609,492)
<b>Total current receivables</b>	<b>411,818,522</b>	<b>508,400,729</b>

**19. Investments**

Description	2020-2021	2019-2020
	KShs	KShs
CBK-Treasury Bills	484,606,500	483,399,500
CBK-Fixed Account	-	30,000,000
<b>Grand total</b>	<b>484,606,500</b>	<b>513,399,500</b>

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**20. Property, Plant and Equipment**

	LAND	OFFICE BUILDING	ROADS	MOTOR VEH.	MOTOR BOAT	FURNITURE	COMPUTER	OFFICE & MEDICAL EQUIPMENT	TOTAL
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>									
At 30th June 2019	15,767,933,880	3,923,084,941	-	319,024,842	2,638,103	91,415,317	151,584,238	840,674,641	21,096,355,962
Additions		37,483,427	30,508,190	26,586,000	-	7,542,796	23,454,276	38,704,825	164,279,514
Disposals									-
Revaluation									-
Transfers/adjustments									-
<b>At 30th June 2020</b>	<b>15,767,933,880</b>	<b>3,960,568,368</b>	<b>30,508,190</b>	<b>345,610,842</b>	<b>2,638,103</b>	<b>98,958,113</b>	<b>175,038,514</b>	<b>879,379,466</b>	<b>21,260,635,476</b>
Additions	-	14,835,699	6,593,535	15,639,000	-	12,569,227	16,903,784	49,002,485	121,904,028
Disposals				(10,429,000)					(10,429,000)
Transfer/adjustments									-
<b>At 30th June 2021</b>	<b>15,767,933,880</b>	<b>3,960,568,368</b>	<b>37,101,725</b>	<b>350,820,842</b>	<b>2,638,103</b>	<b>111,527,340</b>	<b>191,942,298</b>	<b>928,381,951</b>	<b>21,365,750,205</b>
<b>Depreciation and impairment</b>									
At 1st July 2019	-	415,182,649	-	143,957,839	1,055,240	23,528,027	110,539,890	366,713,746	1,060,977,391
Depreciation		39,605,683	762,705	16,374,156	131,905	2,473,953	21,632,715	21,982,356	102,963,472
Disposals									-
Impairment									-
At 30th June 2020	-	454,788,332	762,705	160,331,995	1,187,145	26,001,980	132,172,605	388,696,102	1,163,940,863
Depreciation		39,693,237	918,941	16,392,974	132,367	2,780,262	24,860,414	23,163,114	107,941,307
Disposals				(9,418,097)					(9,418,097)
Impairment									-
Transfer/adjustment									-
<b>Fully Depreciated Assets</b>									
At 30th June 2021	-	494,481,569	1,681,646	167,306,872	1,319,512	28,782,241	157,033,018	411,859,216	1,262,464,074
<i>Net book values</i>									
At 30th June 2021	15,767,933,880	3,480,922,498	35,420,079	183,513,970	1,318,591	82,745,098	34,909,280	516,522,735	20,103,286,132
At 30th June 2020	15,767,933,880	3,505,780,036	29,745,485	185,278,847	1,450,958	72,956,133	42,865,910	490,683,364	20,096,694,613

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**21. Intangible Assets**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
<b>Cost</b>		
<b>At beginning of the year</b>	<b>160,543,308</b>	<b>112,323,890</b>
Additions-internal development	17,392,803	48,219,418
<b>At end of the year</b>	<b>177,936,111</b>	<b>160,543,308</b>
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	<b>102,292,681</b>	<b>79,194,795</b>
Amortization	27,535,919	23,097,886
<b>At end of the year</b>	<b>129,828,601</b>	<b>102,292,681</b>
<b>NBV</b>	<b>48,107,511</b>	<b>58,250,627</b>

**22. Investment Property**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
<b>At beginning of the year</b>	<b>1,055,744,934</b>	<b>1,049,555,052</b>
Additions	4,720,345	6,189,882
<b>At end of the year</b>	<b>1,060,465,279</b>	<b>1,055,744,934</b>
<b>Depreciation</b>		
<b>At beginning of the year</b>	<b>97,107,104</b>	<b>86,549,655</b>
Depreciation	10,606,177	10,557,449
<b>At end of the year</b>	<b>107,713,281</b>	<b>97,107,104</b>
<b>NBV</b>	<b>952,751,998</b>	<b>958,637,830</b>

**23. Trade and Other Payables**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Graduate School prepayments	23,258,107	23,062,385
Mortgage Scheme	76,692,566	76,055,523
Retention Money	26,252,123	22,455,092
Un-remitted Statutory Deductions	120,234,498	81,688,661
Staff Over deductions	-	-
Advances to Centers	-	-
Suppliers Control Account	282,869,955	274,979,927
Unremitted staff deductions	92,197,078	237,913,575
JKUAT Remittance	53,753	3,551,623
External Grants	5,964,464	
<b>Total trade and other payables</b>	<b>627,522,544</b>	<b>719,706,788</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24. Grant Fund**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Current Account	938,140,389	851,970,644
Fixed Deposit		
<b>Total deposits</b>	<b>938,140,389</b>	<b>851,970,644</b>

**25. Refundable Deposits and Prepayments from Customers**

<b>Description</b>	<b>2019-2020</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Caution Money	5,016,000	4,788,000
Research Fees	204,669	204,669
Other Deposits	48,228,788	43,989,698
<b>Total Refundable Deposits from Customers</b>	<b>53,449,457</b>	<b>48,982,367</b>

**26. Deferred Income**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
National government	195,516,589	171,560,226
Collaborators		
<b>Total deferred income</b>	<b>195,516,589</b>	<b>171,560,226</b>

**27. Cash Generated from Operations**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfer from Governments	2,577,644,999	2,951,288,215
Collaborators Funds	4,386,313,311	4,419,799,754
Rental revenue from facilities and equipment	29,204,188	26,277,250
Finance income - external investments	42,651,930	30,713,177
Revenue Generating Activities	268,529,464	239,694,084
Graduate Program (ITROMID)	18,924,515	19,663,890
Miscellaneous Income	3,134,278	8,244,910
Overheads	269,358,577	209,969,463
<b>Total Receipts</b>	<b>7,595,761,262</b>	<b>7,905,650,742</b>
<b>Payments</b>		
Use of goods and services	740,465,351	125,655,277
Employee costs	2,473,540,993	2,243,301,000
Remuneration of directors	25,227,518	51,638,012
Repairs and maintenance	46,979,460	22,881,295
Contracted services	49,367,237	54,637,541
Collaborators Expenses	4,386,313,311	4,390,858,010
Operating Expenses		202,913,738
General Expenses		617,357,335
<b>Total Payments</b>	<b>7,721,893,871</b>	<b>7,709,242,210</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>(126,132,609)</b>	<b>196,408,533</b>
<b>Cash flows from investing activities</b>		
Decrease/(Increase) in receivables from exchange transactions	(611,108,467)	
Decrease/(Increase) in receivables	96,582,207	(4,050,707)
( Increase)/Decrease in Short term deposits	28,793,000	91,998,950
Increase in payables	(92,184,244)	(245,849,807)
Decrease in Deferred Income	23,956,363	85,921,012
Increase in Refundable deposits from customers	4,467,090	(18,907,070)
(Decrease) in bank overdraft	(3,040)	(158,854)
Increase in Collaborators Funds - payment received in advance	86,169,746	251,809,969
Purchase of property, plant, equipment and intangible assets	(144,017,176)	(218,688,815)

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Proceeds from sale of property, plant and	1,065,000	
Adjustment on Intangible assets accumulated Depreciation	-	
Adjustment on accumulated reserve	108,383,245	
<b>Net cash flows from operating activities</b>	<b>(624,028,887)</b>	<b>114,077,680</b>

**28. Capital Work in Progress.**

The capital work in progress related to the Liaison Office/Laboratory at KEMRI Kirinyaga that was in progress at the end of financial year under review.

**29. Currency**

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

**30. Related Party Disclosures.**

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

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p><b>Unsupported Finance Income - External Investments</b></p> <p>As disclosed in Note 8 to the financial statements, the statement of financial performance reflects finance income-external investments balance of Kshs.30,506 ,394. The balance includes Treasury Bills interest income of Kshs.26,114,784 whose supporting certificates were not availed for audit review.</p> <p>Consequently, the accuracy and validity of interest income from treasury bills of Kshs.26,114,784 for the year ended 30 June, 2019 could not be confirmed</p>	<p>Certificates were availed to the OAG and the matter was since resolved</p>			
2	<p><b>Recoverability of Staff Advances</b></p> <p>As disclosed on Note 21 to the financial statements, the statement of financial position reflects receivables from non-exchange transactions balance of Kshs.446,925,910. The balance includes staff advances amounting to Kshs.38,437 ,671 which</p>	<p>Outstanding imprest staff advances has so far reduced with the introduction of the ERP system and a Board paper to write off the debt of</p>			

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	<p>constitutes imprest totaling to Kshs.5,736,759 owed by officers who have since separated with the Institute through termination of service, resignation and death rendering the amount irrecoverable.</p> <p>In the circumstance, the validity and recoverability of receivables from non-exchange transactions balance of Kshs.38,437 ,671 as at 30 June, 2019 could not be confirmed.</p>	Ksh.5,736,759.00 is being prepared			
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3	<p><b>Unsupported Property, Plant and Equipment</b></p> <p>As disclosed in Note 23 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.20,035,378 ,571. The balance includes various parcels of land totaling to Kshs.4,152,168,160 whose title/ownership documents were, as previously reported, not provided for audit review.</p> <p>Further, as previously reported, the balance also includes land and buildings for a staff housing project valued at Kshs.476,001,556. The vendor of the land who is also the developer had initially used the title documents as collateral to borrow funds from a commercial bank. In an effort to have the documents discharged, the Government spent a sum of Kshs.280,000,000 in 1993 and a further amount of Kshs.142,000,000 in 2000 all totaling Kshs.422,000,000 towards settling the developer account with the bank. Available information indicates that the ownership documents have since been released to the National</p>	<p>The available land titles and their estimated valuation is provided in <b>Appendix 2</b></p>			
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	<p>Treasury, but the title has not been discharged by the bank and remains in the name of the vendor as at 30 June, 2019.</p> <p>In the circumstances, the ownership status of the parcels of land of Kshs.4,152,168,160 and staff housing project valued at Kshs.476,001,556 as at 30 June, 2019 could not be confirmed.</p>				
4	<p><b>Unsupported Intangible Assets- Software</b></p> <p>As disclosed in Note 24 to the financial statements, the statement of financial position reflects intangible assets net book value of Kshs. 33,129,095 which includes Kshs.22,904,126 relating to a payment for an Enterprise Resource Planning (ERP) software. As previously reported the Institute had sourced for this service from a company on 24 August 2011 at a contract sum of Kshs.24,865,500. The installation and commissioning of this software was to take one year up to 2 July 2012. Despite the 92% payment of the contract sum by 30 June 2019, only four (4) out of fourteen (14) modules had been installed. It was further noted that even the installed modules were not operational as at 30 June, 2019.</p> <p>Consequently, the validity and accuracy of intangible asset net book value Kshs.33,129,095 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.</p>	<p>The intangible asset notes in the financial statement provided for adjustment of accumulated depreciation. The amortization of Kes. 12,249,131.15 is provided on the asset brought forward at the rate of 25%</p>			

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5	<p><b>Unsupported Investments and Grant Fund</b></p> <p>As disclosed in Note 22 to the financial statement of financial position reflects investments balance of Kshs.416,661,800. The balance includes fixed deposit balance of Kshs.30,000,000 whose supporting certificate was not availed for audit review.</p> <p>Similarly, and as disclosed in Note 28 to the financial statements, the statement of financial position reflects grant fund balance of Kshs.926,881,060 which includes a fixed deposits balance of Kshs.379,238,750. The supporting certificates were not availed for audit review.</p> <p>Consequently, the accuracy and validity of fixed deposit balance of Kshs.30,000,000 and grant fund balance of Kshs.379,238,750 as at 30 June, 2019 could not be confirmed.</p> <p>The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Medical Research Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.</p>	<p>This certificate was availed to the external auditors (OAG) and the matter closed.</p>			
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6	<p><b>Financial Performance</b></p> <p>During the year under review, the Institute reported a deficit of Kshs.164,395,118 (2017/2018-deficit Kshs.132,621,755) resulting in reduction in accumulated surplus from Kshs.1,489,571,089 as at 30 June, 2018 to Kshs.1,325,175,971 as at 30 June, 2019. The institute's performance therefore is on a downward trajectory and if strategies are not put in place to reverse the trend, the Institute is likely to experience financial difficulties in future.</p>				
1	<p><b>Other Matter</b></p> <p><b>Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.7,479,401,243 and Kshs.6,641,432,170 respectively resulting to an under-funding of Kshs.837,969,073 or 11% if the budget.</p> <p>Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.7,479,401,243 and Kshs.6,688,117,984 respectively resulting to an under expenditure of Kshs.791,283,259 or 11% of the budget.</p> <p>The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.</p>	The status has so far improved			


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2	<p><b>Unresolved Prior Year Matters</b></p> <p>In the audit report of the previous year, several issues were raised. However, the Management has not resolved all the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref. No. PSASB/1/12/(44) of 25 June, 2019.</p> <p>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</p>	<p>A number of issues have been resolved/closed while the pending issues are in the process of being resolved as captured in the responses provided</p>			
3	<p><b>Basis for conclusion Non-Compliance with the Attorney General's Circular</b></p> <p>As disclosed in Note 18 to the financial statements, the statement of financial performance reflects general expenses amounting to Kshs.463,923,464. The balance includes legal expenses to private legal firms of Kshs.23,043,896. However, the Management did not provide, for audit review, approval and issuance of no objection from the Attorney General's office on engagement of the private legal firms as required by the Attorney General's Circular reference AG/CON/6/0/144NOL.II dated 16 April 2014.</p> <p>In the circumstance, it has not been possible to determine compliance with the law</p>	<p>The court issued prohibitory orders against the AG on implementation of the section on engagement of legal counsels.</p>			
4	<p><b>Contracted Services</b></p> <p>As disclosed in Note 15 to the financial statements, the statement of financial performance reflects contracted services-cleaning of Kshs.20,833,319 paid to a company. As previously</p>	<p>A court ruling dated 6<sup>th</sup> May 2018 ordered for payment to Super Clean</p>			

	<p>reported, the Institute had contracted a company in September 2014 for cleaning services which was to run for eleven (11) months up to 31 July, 2015 at a monthly charge of Kshs.1,602,563. The Management extended the contract for four (4) months to November 2015 to allow for a fresh tender. However, it was noted that the company continued offering services from December 2015 up to the time of this audit in January 2020. Available information indicated that a dispute arose between the contractor and the Management where upon the company sought legal redress. The Institute was directed to pay the company for services rendered from December 2015. The Management did not provide evidence of action it intends to ensure there is a valid contract is consummated with the company or another service provider. In the circumstances, it has not been possible to determine whether value for money has been achieved and the payments amounts to wasteful utilization of public resources</p>	<p>Shine Enterprises of Ksh. 48,076,890.00 for the period from December 2015 to May 2018. This payment was made on 8<sup>th</sup> June 2018 being the last payment made by KEMRI to the vendor. Appendix 3</p>			
5	<p><b>Non-Compliance with one Third Basic Salary Rule</b></p> <p>During the year ended 30 June 2019, two hundred and fifty-six (256) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. The Management has not given explanation for failure to comply with the policy. In the circumstances, Management is in breach of the law.</p>	<p>This number has dropped to 142 employees and the same trend is expected to continue to ensure compliance</p>			

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	<b>Basis for Conclusion</b>				
6	<p><b>Long outstanding receivables</b>            The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.446,925,910 which includes capitation balance of Kshs.139,371,856 which has been outstanding for more than two (2) years. No supporting documents were provided to confirm the recoverability of this amount. Further, the receivables from non-exchange transactions balance includes customers/suppliers control account balance of Kshs.40,471,198 which has also been outstanding for more than two years and recoverability appears doubtful.</p> <p>In the circumstances, I am unable to confirm existence of effective debt management mechanisms at the Institute.</p> <p>The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion</p>	<p>This amount still remains outstanding and has been captured as a pending bill by the Ministry of Health</p>			

Director General ..... 

Date..... 5/7/2022

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

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

**Status of Projects completion**

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

	<b>Project</b>	<b>Total project Cost (millions)</b>	<b>Total expended to date (millions)</b>	<b>Completion % to date</b>	<b>Budget (millions)</b>	<b>Actual (millions)</b>	<b>Sources of funds</b>
1	Research and development (solution to Health)	6,400	1,057	29%	151.06	151.06	MOH
2	Construction of Sample Management and Receiving Facility (SMRF) and renovation of laboratories	607	522	86%	26.3	26.3	MOH
3	Construction and upgrading of Laboratories	635	152	24%	28.84	28.84	MOH

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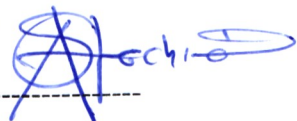
**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>		<b>KENYA MEDICAL RESEARCH INSTITUTE</b>		
<b>Break down of Transfers from MINISTRY OF HEALTH</b>				
<b>FY 2020/2021</b>				
<b>a.</b>	<b>Recurrent Grants</b>			
		<b><u>Bank Statement Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>Indicate the FY to which the amounts relate- 2020/21</u></b>
		21.08.2020	196,916,666.70	2020/21
		08.09.2020	196,916,666.70	2020/21
		02.10.2020	196,916,666.60	2020/21
		06.11.2020	196,916,666.70	2020/21
		30.12.2020	196,916,666.70	2020/21
		26.01.2021	196,916,666.00	2020/21
		09.02.2021	196,916,666.00	2020/21
		12.03.2021	196,916,666.70	2020/21
		09.04.2021	196,916,666.70	2020/21
		21.05.2021	196,916,666.70	2020/21
		25.06.2021	196,916,666.70	2020/21
		05.07.2021	196,916,666.70	2020/21
		<b>Total</b>	<b><u>2,362,999,998.90</u></b>	
<b>b.</b>	<b>Development Grants</b>			
		<b><u>Bank Statement Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>Indicate the FY to which the amounts relate</u></b>
		26.05.2021	130,670,000.00	2020/21
		06.07.2021	75,530,000.00	2020/21
		<b>Total</b>	<b><u>206,200,000.00</u></b>	
<b>c.</b>	<b>Emergency Fund-COVID</b>		<b><u>8,445,000.00</u></b>	2020/21
		<b>Total</b>	<b><u>2,577,644,998.90</u></b>	

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

Finance Manager  
 KEMRI

Sign



Head of Accounting Unit  
 KEMRI

Sign-----

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