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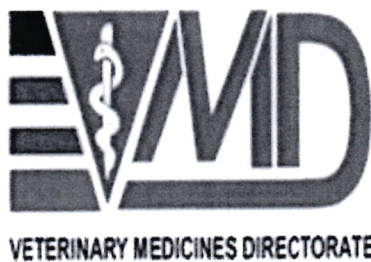
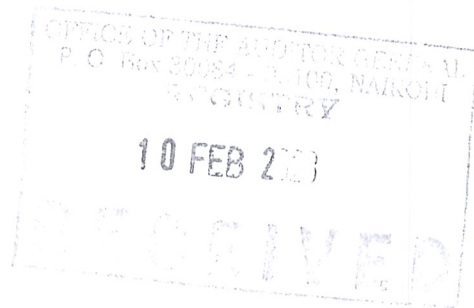
Christine Ndiritu

THE AUDITOR-GENERAL

ON

**VETERINARY MEDICINES
DIRECTORATE COUNCIL**

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



VETERINARY MEDICINES DIRECTORATE COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2022

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

Veterinary Medicines Directorate Council (VMDC)
Annual Report and Financial Statements
For the year ended June 30, 2022.

Veterinary Medicines Directorate Council (VMDC)
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1. Key Entity Information and Management

(a) Background information

The Veterinary Medicines Directorate (VMDC) was established under the Veterinary Surgeons and Veterinary Paraprofessionals (VSVP), Act CAP 366, 2011. The VMDC is domiciled in Kenya. The VMDC was operationalized through VSVP(VMD) Regulations, 2015. The operationalization of VMD is aligned to the National Livestock Policy as contained in Sessional Paper No. 3 of 2020. The Paper provides for separation of the management of veterinary medicines from that of human medicines.

The Directorate has two technical departments namely; (1) Registration, Licensing and Standards: and (2) Compliance and Surveillance. These two departments are supported by; Corporate Services, Legal Services and Internal Audit Departments.

The oversight of the Directorate is vested in a Council appointed by the Cabinet Secretary in accordance with the establishing Regulations.

(b) Principal Activities

Veterinary Medicines Directorate Council is mandated to regulate the manufacture, importation, exportation, registration, distribution, prescription and dispensing of veterinary medicines and the practices of veterinary pharmacy in Kenya.

The Directorate is guided by the Vision: “To be a world class regulatory body promoting responsible, safe and effective use of veterinary medicines and other animal health products.”

The Mission of VMD is: “To protect public and animal health, environment and promote animal welfare by assuring safety, quality and effectiveness of veterinary medicines and other animal health inputs.”

The functions of VMDC are:

1. Formulation and enforcement of quality assurance standards in the manufacture, distribution and use of veterinary medicines in order to safeguard human, animal and environmental health;
2. In consultation with the Directorate of Veterinary Services, regulate the use of veterinary medicines for the treatment of animals under the Animal Diseases Act;
3. Consideration of applications for approval of market authorization of veterinary medicines;
4. Setting quality assurance standards for training in the management of veterinary medicines as directed by the Kenya Veterinary Board;
5. Collaboration with the Kenya Veterinary Board in regulating training in the management of veterinary medicines;
6. Inspection and approval of premises in which the manufacture, sale or supply of veterinary medicines is conducted;
7. Appointment and gazettment of veterinary medicine inspectors;
8. Establishing Standard Operating Procedures for veterinary medicines’ inspectors;
9. Regulation of veterinary pharmacy practices;

10. Categorization of veterinary medicines and qualifications of persons authorized to trade in each category and reviewing the categories every five years;
11. Regulation of clinical and non-clinical trials of veterinary medicines by individuals or institutions;
12. Regulation of the manufacture, importation, exportation, handling, advertisement, labelling, sale and disposal of veterinary medicines;
13. Registration of all veterinary medicines manufactured or imported for use in the country or exported from the country;
14. Monitoring the market and taking measures necessary for the elimination of trade in illegal and counterfeit veterinary medicines;
15. Establishment of systems of pharmaco-vigilance and conducting pharmaco-vigilance of veterinary medicines through regular inspections and surveys;
16. Enforcement of Good Manufacturing Practices for veterinary medicines as approved by the Council;
17. Development, application and review of guidelines for inspection and ensuring compliance with Good Manufacturing Practices;
18. Ensuring the promotion and marketing of veterinary medicines in accordance with the approved product information;
19. Publication on annual basis of a notice in the Kenya Gazette inviting the public to note and inspect the register of veterinary medicines and the list of approved veterinary practices within such period and at such place as may be specified in the notice;
20. Considering, granting, issuing or revoking authorization and certification in accordance with the Regulations;
21. Collaboration with other regulatory agencies including the Public Health (Standards) Board in Section 27 of the Food, Drugs and Chemical Substances Act, the Pest Control Products Board established under Section 5 of the Pest Control Products Act and the Central Board of Health established under Section 3 of the Public Health Act to carry its mandate and
22. Undertaking any other necessary action for effective carrying out of the Directorate's mandate under the Veterinary Surgeons and Veterinary Paraprofessionals Act or any other Act.

(c) Key Management

The Veterinary Medicines Directorate Council day-to-day management is under the following key organs:

1. Veterinary Medicines Council

The Council was appointed by the Cabinet Secretary as per section 8(1) of VMDC regulations and consist of: -

- ❖ The Director of Veterinary Services who is the Chairperson- Dr. Obadiah N. Njagi
- ❖ The Registrar of the Pharmacy and Poisons Board- Dr. Fred Siyoi
- ❖ The Chief Executive Officer of the Kenya Veterinary Board- Dr. Indraph M. Ragwa
- ❖ The Principal Secretary for the time being responsible for Finance/ Alternate- Mr. Johnson Mwangi Maina.
- ❖ The Principal Secretary for the time being responsible for animal health matters/Alternate- Mr. Jonam Kinama
- ❖ Three veterinary surgeons nominated by the Kenya Veterinary Board:
 - Dr. Josiah Mandieka M
 - Dr. John Wilberforce Muchibi

- Dr. James M. Mbaria
- ❖ One veterinary paraprofessional from the veterinary pharmaceutical industry nominated by the Kenya Veterinary Board- Mr. Douglas Wangai Gitonga
- ❖ The Chief Executive Officer of the Directorate who's also the Secretary- Dr. Jane N. Njiru

2. Chief Executive Officer

By the closure of the financial year under reporting the Chief Executive Officer was Dr. Jane N. Njiru.

3. Secretariat

The Secretariat consists of Four (4) heads of departments.

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chief Executive Officer	Dr. Jane N. Njiru
2.	Head of Registration, Licensing and Standards	Dr. Kenneth Otieno Orengo
3.	Head of Compliance and Surveillance	Dr. Emily Muema, PhD
4.	Head of Finance	Mr. Dennis Mburu Karanja
5.	Head of Procurement	Mr. Edwin Masayi Khatta

(e) Fiduciary Oversight Arrangements

Veterinary Medicines Directorate Council (VMDC) operates under the following committees: -

- ❖ Veterinary Medicines Registration Committee
- ❖ Administration and Finance Committee
- ❖ Audit and Risk Management Committee
- ❖ Ad Hoc Committee

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(f) Veterinary Medicines Directorate Council Headquarters

P.O. BOX 66171-00800
Pest Control Products Board Plaza
Off Waiyaki Way
Westlands, Nairobi

(g) Veterinary Medicines Directorate Council Contacts

Telephone: (254)0743795395
E-mail: info@vmd.go.ke
Website: www.vmd.go.ke

(h) Veterinary Medicines Directorate Council Bankers

National Bank of Kenya
Westlands Branch
P.O. Box 1613-00606
Nairobi, Kenya



(i) Independent Auditors

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




(j) Principal Legal Adviser

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



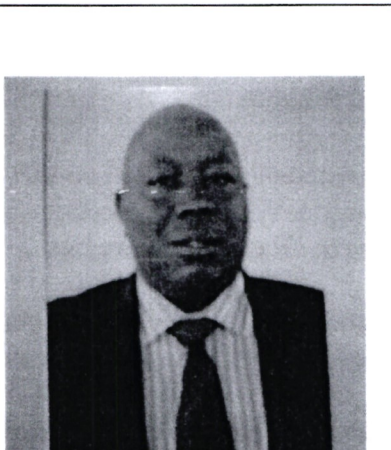
2. COUNCIL MEMBERS



Ref	Directors	Details
1.	 <p data-bbox="300 920 647 987">Dr. Obadiah N Njagi, PhD, OGW</p> <p data-bbox="300 1028 687 1279">Veterinary Surgeon, Director of Veterinary Services and Chairman Veterinary Medicines Council- BVM, MSC, PhD</p>	<p data-bbox="711 389 1501 714">Born on the 12th day of December 1963, Dr. Njagi has served in the Directorate of Veterinary Services, State Department for Livestock in various capacities for over 30 years since graduating with a Bachelor of Veterinary Medicine in 1988. He holds a Master's degree in veterinary pathology and a PhD in veterinary immune-parasitology from the University of Nairobi and Technical University-Dresden, Germany with several publications in veterinary science. He has undergone several development, public policy and leadership trainings.</p> <p data-bbox="711 757 1501 969">He has served as Director in several Boards of state corporations; Pest Control Products Board, Pharmacy and Poisons Board, Kenya Meat Commission, Kenya Animal Genetics Resource Centre, Kenya Tsetse and Trypanomiasis Eradication Council, Veterinary Medicines Council and the New KCC.</p> <p data-bbox="711 1012 1501 1225">He has contributed significantly in development of the veterinary service both in Kenya and the EA region. He is most credited for his focused leadership in the national roll-out of the East Coast fever vaccine and development of the Mutual Recognition Process (MRP) for registration of immunological veterinary products (IVPs) in the EAC.</p> <p data-bbox="711 1267 1501 1413">He is currently the Director of Veterinary Services/Chief Veterinary officer, official delegate for Kenya to the World Organization for Animal Health (OIE) and the Chairman, Veterinary Medicines Directorate Council (VMDC)</p> <p data-bbox="711 1451 1469 1480">He hails from Embu county and is a father of one daughter.</p>
2.	 <p data-bbox="300 1933 619 1962">Dr. Josiah M. Mandieka,</p>	<p data-bbox="711 1503 1477 1608">Dr. Josiah Mandieka was born on 17th September, 1959. He graduated with a Bachelor's Degree in Veterinary Medicine from the of University of Nairobi.</p> <p data-bbox="711 1650 1501 1796">He also has an MSC from Canada. He worked in the public Service from 1987 to 1998 rising to the position of the District Veterinary Officer. Thereafter he joined the Veterinary Pharmaceutical Industry where he has served to date.</p> <p data-bbox="711 1839 1485 1944">He has previously served as a chairman of Kenya Veterinary Association, Kenya Veterinary Privatisation Scheme and Veterinarians with a Mission Programme</p>

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	Veterinary Surgeon, BVM, MSC	<p>He is the Current Managing Director of the Ultimate Vetserve LTD, a Veterinary Pharmaceutical Company.</p> <p>He is among the three veterinary surgeons required by VSVP(VMD) Regulations, 2015.</p>
3.	 <p>Dr. Indraph Mugambi Ragwa Veterinary Surgeon, BVM, MA (Project Planning and Management)</p>	<p>Dr. Indraph Mugambi Ragwa was born on 17th April, 1957. He qualified with a Bachelor of Veterinary Medicine in 1983 from the University of Nairobi. He did his Master of Arts (Project Planning and Management) from UON in 2012. He has 32 years' experience in Veterinary Practice and is currently the Chief Executive Officer, Kenya Veterinary Board.</p>
4.	 <p>Dr. Fred Siyoi</p>	<p>A pharmacist born on 31st March, 1963. He is currently the Ag. Chief Executive officer, Pharmacy and Poisons Board.</p>
5.	 <p>Dr. John Wilberforce Muchibi</p>	<p>Dr. John Wilberforce Muchibi holds a Bachelor of veterinary medicine from the university of Nairobi and a post graduate diploma in marketing, The Chartered Institute of Marketing.</p> <p>He's an accomplished leader with extensive, more than 30 years' experience in the Veterinary Pharmaceutical industry in Kenya and east Africa</p> <p>His roles have included market and product development which has exposed to Veterinary products registration processes across the East African region.</p> <p>He has worked for years with Veterinary drugs regulators in the region including the Pharmacy and Poison's Board.</p> <p>He is among the three veterinary surgeons required by VSVP(VMD) Regulations, 2015.</p>

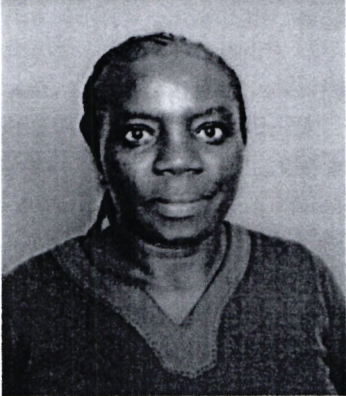


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<p>6.</p>	 <p>Prof. James M. Mbaria.</p>	<p>An Associate Professor and the Chairman of Public Health Pharmacology and Toxicology, Faculty of Veterinary Medicine, University of Nairobi. He holds an earned PhD, MSC and BVM</p> <p>He has administrative experience including leadership at the university and professional association. He has 30 years of professional experience. During teaching and instruction, he has provided academic leadership teaching both undergraduate and postgraduate students, organising and guiding research programs.</p> <p>He is among the three veterinary surgeons required by VSVP(VMD) Regulations, 2015.</p>
<p>7.</p>	 <p>Mr. Douglas Wangai Gitonga</p>	<p>Mr. Douglas Wangai Gitonga holds a Bsc Degree in Animal Health Management from Egerton University and a Certificate in artificial insemination from ADC A.I training school Kitale. He is a member of Kenya association of livestock technicians Egerton and member of KASPA. Coastal and Eastern region sale representative for ultravetis and Bimeda respectively.</p> <p>He is the Current Eastern region area sales manager Bimeda Limited.</p> <p>He is One veterinary technologist required by VSVP(VMD) Regulations, 2015.</p>
<p>8.</p>	 <p>Mr. Jonam Kinama</p>	<p>Mr. Jonam Ngau Kinama was born on 20th February, 1968. He qualified with a B.A Anthoropology in 1987 from the University of Nairobi.</p> <p>He did his Executive Masters in Business Administration from JKUAT in 2009. He has 15 years' experience in administration and is currently senior deputy secretary, State Department for livestock.</p> <p>He is the alternate to the Principal Secretary, State Department for Livestock.</p>



9.	 <p>Mr. Johnson Mwangi Maina.</p>	<p>Mr. Johnson Mwangi Maina has served the Government of Kenya (GoK) for over 26 years to date as an Economist, where he joined at the entry grade of Economist II. Since joining GoK, he has served in various Government Ministries/Agencies including Office of the Vice President and Ministry of Planning and National Development (OVP&MPND), Ministry of Finance and Planning (MoF&P), Ministry of Environment and Natural Resources (MoENR), Ministry of Education Science and Technology (MoEST), Ministry of Health (MoH) and The National Treasury (TNT).</p> <p>In the 26 years, he has managed to rise up the ladder as a career civil servant to the current grade of Director of Planning (DoP)/Senior Deputy Director (SDD), Macroeconomics and Fiscal Affairs Department (M&FAD) in The National Treasury (TNT). In addition, to been Director at the Kenya Leather Development Council (KLDC) and the Tom Mboya University (TMU) representing the Cabinet Secretary (CS) of TNT.</p> <p>Studied at the University of Nairobi (UoN) and obtained a Bachelor of Arts in Economic (BA.Econs.) Degree, Upper Second Class Honours and Master of Arts in Economics (MA. Econs.) Degree. In the course of my tour of duty, he has undergone extensive professional training by the GoK, the Development Partners (DPs) and other institutions including by Oxford University, World Bank, United Nations, International Monetary Fund (IMF), Kenya Institute of Public Policy Research and Analysis (KIPPRA), Institute of Policy Analysis and Research (IPAR) and Kenya School of Government (KSG) among others.</p> <p>He is the alternate to the Principal Secretary for the time being responsible for Finance.</p>
10.	 <p>Dr. Jane N. Njiru BVM, MSC</p>	<p>Dr. Jane N. Njiru holds a Master of Science degree in Veterinary Epidemiology and Economics (MVEE) and a Bachelor of Veterinary Medicine degree from the University of Nairobi.</p> <p>She has served in the Directorate of Veterinary services for 25 years 10 of which were under deployment at the Pest Control Products Board (PCPB), which regulates all aspects of pest control products in Kenya.</p> <p>She has held various positions of leadership both at the directorate and other duty stations and participated in development of various regulatory documents for use at national level and within the EAC region.</p> <p>She is the Chief Executive Officer and Secretary to the Council.</p>

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3. Management Team

	Management	Details
1.	 Dr. Jane N. Njiru BVM, MSC	<p>The Chief Executive Officer and Secretary to the Council. Oversees the day to day running of the institution and implements the decisions of the Council.</p>
2.	 Dr. Kenneth Otieno Orengo	<p>He has been deployed from public service as the officer in charge of Registration and Market Authorization at the Veterinary Medicines Directorate Council of Kenya. He has worked as the officer in charge of the analytical chemistry and food safety laboratory at the Directorate of Veterinary Services in the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. As a District Veterinary Officer (DVO) and in his current role, he had designated authority to incur expenditure, involved in budgeting, procurement and fleet management.</p> <p>He is the Head of Registration, Licensing and Standards.</p>
3.	 Dr. Emily Muema, PhD	<p>Technical expert Holds a PhD in pharmacology and toxicology. Previous worked at the Regional Veterinary Investigation Laboratory, Nakuru. She is Head of Compliance and Surveillance</p>

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4.		Head of Finance and Accountant for Veterinary Medicines Directorate Council (VMDC). An accountant, Degree in Bachelors of Commerce and ACCA I
5.		Holds a Bachelor of science in Purchasing and Supplies. In addition to Management Certified institute of Purchasing and Supplies level 4.

Mr. Dennis Mburu Karanja

Mr. Edwin Masayi Khata

4. Chairman’s Statement

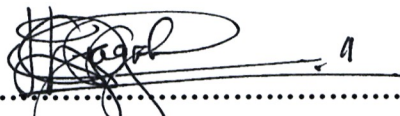
The Chairman offered guidance and leadership in general implementation of VMDC’s mandate and in achievement of the annual targets and overall goals of the organization.

The Council was able to procure phase one of an Enterprise Management System. There were delays in approval of institution’s Human Resource Instruments as approved by the Ministry responsible for Public Service. This has caused delays in planned recruitment and hence failure to absorb some of the resources budgeted for the same. Nonetheless, key staff in critical areas were engaged on contract basis. The Council also embarked on review of the VMD Regulations to make them more responsive and facilitate effective and efficient delivery of the institution’s mandate. The Council committed to finalise the institution’s strategic plan and align it with current medium-term plan of the Kenya Vision 2030 to position the institution strategically to help in achievement of the country’s development agenda

The above achievements were not without challenges. Other challenges included inadequate staffing at both technical and support levels, inadequate infrastructure including office space, inadequate transport and ICT as well as inadequate enforcement of existing laws and regulations. Some of the Council members representing institutions by law failed to attend all Council meetings despite invitations.

To help mitigate the challenges the Council requested for approval for phased recruitment from the National Treasury. Plans were put in place to acquire an additional vehicle for the institution, finalise the strategic plan, review the current legal framework and automate operations by procuring an Enterprise Management System. Capacity building will also be undertaken to empower staff to enforce regulatory requirements and benchmark with international best practice.

In the long term the Council plans to secure adequate office space and acquire a well-trained and motivated workforce with enough logistical support to adequately discharge the mandate of the institution to the full satisfaction of all stakeholders.

Signature:..........
Name: **Dr. Obadiah N Njagi, PhD, OGW**
Chairperson of the Board/Council

5. Report of the Chief Executive Officer

The Veterinary Medicines Directorate Council (VMDC) is a regulatory agency established under the Veterinary Surgeons and Veterinary Paraprofessionals Act of 2011 (CAP 366) through Legal Notice No. 209 of 9th October 2015. The agency operates under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives (MALF&C) in the State Department for Livestock (SDL).

VMDC is mandated to implement appropriate regulatory measures to ensure the highest standards of safety, quality and efficacy for all veterinary medicines in the country. These measures include regulation of the manufacture, importation, exportation, registration, distribution, prescription and dispensing of Veterinary Medicines and the practice of Veterinary Pharmacy in Kenya. The operationalization of the VMD was to implement the National Livestock Policy (Sessional Paper No 3 of 2020), which provided for the separation in the management and regulation of Veterinary Medicines from that of humans as envisioned by the World Organization for Animal Health (OIE).

The 2021/2022 FY was therefore the fifth year, in terms of financial reporting, for the operations of the Council. The agency received Kshs 6.3 Million grant form GOK and collected Kshs 100 Million A.I.A. This was against a target of Kshs 58.5 Million A.I.A The over achievement was occasioned by the stakeholder sensitization to pharmacies and retention of feed additives and other veterinary products in the register. The revenue has been on an improvement compared to past years due to enhanced enforcement of regulations and increased sensitization which improved compliance.

Over the years the agency has experienced critical shortage of staff since the only three technical officers are deployed from the State Department for Livestock. There were plans to recruit staff during the financial year but the approvals for recruitment were not received on time. This affected absorption rate especially for Personnel Emolument allocation. However, the Council advertised for recruitment of six (6) officers on Permanent and pensionable basis to ease staff shortage in critical areas.

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Under operations, the following was achieved during the reporting year;

The agency received one hundred and nineteen (119) new applications for registration and five hundred and seventy-five (575) for listing. Two- hundred and twenty- one (221) applications were evaluated which included backlog from the previous year when the Council was absent. Of the evaluated applications, one hundred and fifteen (115) were issued with Market Authorization (MA) while the rest were queried. Four (4) applications for registration under the EAC Mutual Recognition Procedure (MRP) were received with Kenya being the Reference Country for three of the products.

Nine (9) local and foreign manufacturers were inspected for purposes of licensing for Good Manufacturing Practice (GMP) compliance while twenty- four (24) requests for various types of variations were received and evaluated. A total of 1859 product were registered and retained in the register.

In addition, Inspection and Licensing of Wholesale and retail pharmacies was carried out where a total of two hundred and thirty (367) pharmacies were licensed. This was a shortfall of the targeted 450 pharmacies which was occasioned by restricted travel due to the Covid 19 pandemic resulting in inspections being done only in Nairobi and surrounding counties.

Five (5) applications for advertisements of various categories of veterinary medicines were received, evaluated and approved during the year. All applications for veterinary medicines imports and exports were processed through the Kenya Electronic Single Window System.

The Veterinary Medicines Directorate Council embarked on review of its establishing regulations to make them responsive and to address identified errors.

Signature:..........

Name: Dr. Jane N. Njiru
Chief Executive Officer

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

Section 81 subsection 2(f) of the public finance management Act, 2012 requires the accounting office to include in the financial statements, a statement of the national government entity’s performance against predetermined objectives.

Veterinary Medicines Directorate Council (VMDC) has three strategic pillars and objectives within its strategic plan for the FY 2018/2019 – 2022/2023. These strategic pillars are as follows:

Pillar 1: Institutional capacity and legal framework

Objective: To strengthen institutional capacity and legal framework

Pillar 2: Enforcement of VMDC regulations

Objective: To enhance compliance with VMDC regulations

Pillar 3: Publicity of VMDC and her role

Objective: To enhance publicity, visibility and corporate image of VMDC

Veterinary Medicines Directorate Council (VMDC) develops its annual workplans based on the above three pillars. Assessment of the board’s performance against its annual work plan is done on a quarterly basis. The Veterinary Medicines Directorate Council achievement on its performance targets set for the FY 2021/2022 period for its three strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Institutional capacity and legal framework	To strengthen institutional capacity and legal framework	No. of staff recruited	Recruit relevant staff	Recruited of six staff ongoing.
		No. of staff trained	Train staff in line with Trained Need Assessment and the Policy	Collaborated in training Directorate of veterinary services Border post staffs.
		No. stakeholders sensitized on VMD activities	Sensitize stakeholders on VMD activities	Four sensitizations took place at Machakos, Nairobi and Naivasha
Pillar 2: enforcement of VMDC regulations	To enhance compliance with VMDC	Number of veterinary pharmacies	450 No. of veterinary pharmacies	367 Inspect/License veterinary

	regulations	inspected and licensed	licensed	pharmacies
		Number of retained registered veterinary products	Targeted 900 registration /retentions	Achieved 1,859 registration /retentions
		Number of import/export permits issued	Process all import and exports	All importation and exports were processed.
		Number of GMP audits conducted	Targeted 20 No. of Audits undertaken	undertook 9 audit
Pillar 3: Inadequate publicity of VMDC and her role	To enhance publicity, visibility and corporate image of VMDC	No. of participation in designated veterinary days, annual devolution conferences, exhibitions, field days, other conferences and ASK shows		KVA 55th and 56th Annual Scientific conference and World rabies Day celebrations and & World Veterinary Day celebrations

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7. Corporate Governance Statement

The VMDC has continued with its commitment to high corporate governance standards, values and ethics within the organization to abide by the laws governing in the country.

The Board continued to engage with key stakeholders in various consultative forums in order to identify partnerships required for improved service delivery.

Collaboration with both private and public institutions and other stakeholders was enhanced in areas in areas of strategic planning, environment, animal health. These included institutions of higher learning and national and international standards setting bodies.

In the period under review, the VMDC council held eight meetings

Council Attendance

No	Name	Position	Dates							
			27/7/ 2021	1/10/ 2021	14/10/ 2021	14/12/ 2021	3/12/ 2021	25/02/ 2022	13/4/ 2022	28/6/ 2022
1.	Dr. Obadiah N. Njagi, PhD	Chairman	X	√	√	√	√	√	√	√
2.	Dr. Josiah M. Mandieka,	Vice Chairman	√	√	√	√	√	√	√	√
3.	Dr. John Wilberforce Muchibi	Member	√	√	√	√	√	√	√	√
4.	Douglas Wangai Gitonga	Member	√	√	√	√	√	√	√	√
5.	Prof. James M. Mbaria	Member	√	√	√	√	√	√	√	√
6.	Mr. Johnson Maina Mwangi	Member	-	-	-	-	√	√	√	√
7.	Mr. Jonam Kinama	Member	√	√	-	-	-	-	-	-
8.	Dr. Indraph Mugambi Ragwa	Member	X	X	X	X	X	X	X	X
9.	Dr. Fred Siyoi	Member	X	X	X	X	X	X	X	X
10.	Dr. Jane N. Njiru BVM, MSC	Secretary	√	√	√	√	√	√	√	√

The Veterinary Medicines Directorate Council embarked fifth generation MTEP strategic plan (2023-2027) that expounds on the Vision, Mission to align it with the fourth Medium Term Plan of the Kenya Vision 2030.

The appointment of Council members was done in accordance with the Regulations. Council members continued to exercise their powers as given under Regulation No. 7 and include;

- a) Controlling, supervising and managing the assets and liabilities of the Directorate;
- b) Determining the provision to be made for capital and recurrent expenditure and for the reserves of the Directorate;
- c) Seeking and receiving any grants or donations and making legitimate disbursements from such grants and donations for its purposes;
- d) Levying fees and charges for its services as provided in the Regulations;
- e) Entering into association with other bodies within or outside Kenya which the Council may consider desirable or appropriate;

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- f) Investing funds of the Directorate not immediately required in securities in which trustees are empowered to invest under the Trustee Act, and in other securities which may be approved for the purpose, by the Cabinet Secretary for the time being responsible for Finance;
- g) Establishing and supporting investment and trust funds for the benefit of employees or ex-employees of the Directorate or dependants of such persons, granting pension, benefits and allowances and making such payments towards insurance as required under the relevant laws;
- h) Opening and operating such accounts as are necessary for the funds of the Directorate, with a bank or financial institution licenced to conduct business under the Banking Act.
- i) recruiting, supporting, disciplining or dismissing the staff and inspectors of the Directorate;
- j) Determining the terms and conditions of employment of the staff and inspectors of the Directorate in consultation with Salaries Remuneration Commission.
- k) Establishing branch offices of the Directorate, to the extent that is practicable, to ensure accessibility of its services by all Kenyans;
- l) Superintending, regulating and assisting branch offices, auxiliaries, committees and other forms of organizations established to advance the interest of the Directorate.
- m) Performing all things necessary or incidental to attaining the objectives of the establishing Regulations or any other written law.

8. Management Discussion and Analysis

The Veterinary Medicines Directorate Council agency received one hundred and nineteen (119) new applications for registration and five hundred and seventy-five (575) for listing. Two-hundred and twenty- one (221) applications were evaluated which included backlog from the previous year when the Council was absent. Of the evaluated applications, one hundred and fifteen (115) were issued with Market Authorization (MA) while the rest were queried. Four (4) applications for registration under the EAC Mutual Recognition Procedure (MRP) were received with Kenya being the Reference Country for three of the products.

Nine (9) local and foreign manufacturers were inspected for purposes of licensing for Good Manufacturing Practice (GMP) compliance while twenty- four (24) requests for various types of variations were received and evaluated. A total of 1,859 product were registered and retained in the register.

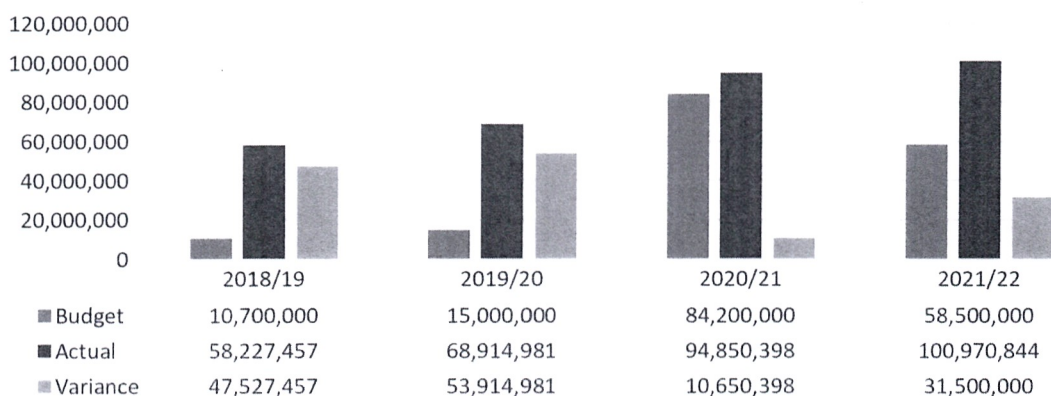
In addition, Inspection and Licensing of Wholesale and retail pharmacies was carried out where a total of two hundred and thirty (367) pharmacies were licensed. This was a shortfall of the targeted 450 pharmacies which was occasioned by a shortfall of inspectors resulting in inspections being done only in Nairobi and surrounding counties.

Five (5) applications for advertisements of various categories of veterinary medicines were received, evaluated and approved during the year. All applications for veterinary medicines imports and exports were processed through the Kenya Electronic Single Window System.

Financial Analysis

Over the last three years Veterinary Medicines Directorate Council has been on an upward trajectory as show in the diagram.

Revenue Performance



9. Environmental and Sustainability Reporting

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

The Veterinary Medicines Directorate Council is committed to safeguarding animal health, efficacy for all veterinary medicines whether imported or produced locally.

Over the years the agency has experienced critical shortage of staff since the only three technical officers are deployed from the State Department for Livestock. The Council recruited six (6) officers on permanent and pensionable basis to help ease staff shortage in critical areas ensuring ethnicity, gender balance during the process. There were plans to recruit staff during the financial year but the approvals for recruitment were not received on time.

i) Corporate Social Responsibility / Community Engagements

Veterinary medicine directorate Council was involved in the KVA 55th and 56th Annual Scientific conference and World rabies Day celebrations and & World Veterinary Day celebrations where participates held a field day to enlighten farmers on veterinary products

In addition, Veterinary Medicine Directorate contribution towards refurbishment of Kilimo house headquarters after a directive was issued to repaint all Government building.

10. Report of the Directors

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

i) Principal activities

The principal activities of the Veterinary Medicines Directorate Council are;

1. Assessing the safety, efficacy and quality of veterinary medicines with a view of registering them, if found suitable.
2. Assessing suitability of veterinary pharmacy premises used for the manufacture, formulation, repacking, storage and distribution of veterinary medicines for purposes of licensing.
3. Processing and issuing import and export permits to ensure that only correct quantities of registered products are imported or exported and in the approved quantities.
4. Advising the Minister on all matters relating to the Provisions of the Regulations establishing the Veterinary Medicines Directorate Council.
5. Monitoring and ensuring adherence of quality standards of veterinary medicines along the distribution chain from production to use.
6. Creating awareness of the general public on all aspects of safety, storage and dispensing of veterinary medicines.
7. Investigating offences related to Regulations.
8. Supervising the disposal of expired, damaged or undesired veterinary medicines.

ii) Results

The results of the Veterinary Medicines Directorate Council for the year ended June 30, 2022, are set out on page 1

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iii) Directors

The members of the Board of Directors who served during the year are shown on page vi. During the year one director transferred and one was appointed with effect from 26/11/2021 date.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. VMDC had no remittance to the Consolidated Fund.

v) Auditors

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

By Order of the Board

Signature:..........

Name: Dr. Jane N. Njiru

Chief Executive Officer/Secretary to the Board

11. Statement of Directors Responsibilities

Section 81(3) of the Public Finance Management Act, 2012 and section 14(3) of the State Corporations Act, require the Directors to prepare financial statements in respect of the Veterinary Medicines Directorate Council, which give a true and fair view of the state of affairs of the institution at the end of the financial year/period and the operating results for that year/period. The Directors are also required to ensure that the Veterinary Medicines Directorate Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Veterinary Medicines Directorate Council. Directors are also responsible for safeguarding the assets of the Veterinary Medicines Directorate Council.

The Directors are responsible for the preparation and presentation of the Veterinary Medicines Directorate Council's financial statements, which give a true and fair view of the state of affairs of the VMDC for and as at the end of the financial year (period) ended on June 30, 2022.

This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Veterinary Medicines Directorate Council; (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 Veterinary Medicines Directorate Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Veterinary Medicines Directorate Council 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 State Corporations Act).

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The Directors are of the opinion that the Veterinary Medicines Directorate Council's financial statements give a true and fair view of the state of Veterinary Medicines Directorate Council's transactions during the financial year ended June 30, 2022, and of the Veterinary Medicines Directorate Council's financial position as at that date.


The Directors further confirm the completeness of the accounting records maintained for the Veterinary Medicines Directorate Council, which have been relied upon in the preparation of the Veterinary Medicines Directorate Council's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Veterinary Medicines Directorate Council will not remain a going concern for the next twelve months from the date of this statement.

Approval of the financial statements

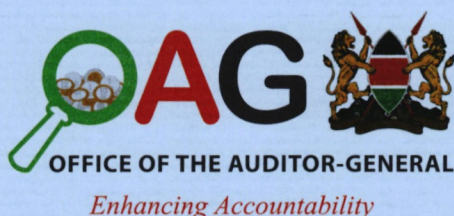
The Veterinary Medicines Directorate Council's financial statements were approved by the Board on _____ 2022 and signed on its behalf by:

Signature:.....
Name: **Dr. Obadiah N Njagi, PhD, OGW**
Chairperson of the Board/Council

Signature:.....
Name: **Dr. Jane N. Njiru**
Accounting Officer

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 VETERINARY MEDICINES DIRECTORATE COUNCIL FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Veterinary Medicines Directorate Council set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Veterinary Medicines Directorate Council as at 30 June, 2022, 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 Veterinary Surgeons and Veterinary Para-Professionals Act (The Veterinary Medicines Directorate) Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Veterinary Medicines Directorate Council 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 opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparative of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.64,174,762 and Kshs.35,175,644 respectively resulting to an underutilization by Kshs.28,999,118 (or 45%) of the budget.

The underperformance affected the planned activities and may have impacted negatively on goods and services delivery to the public.

2. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several paragraphs were raised under the Basis for Qualified Opinion, Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or give any explanation for failure to adhere to the guidelines issued by the Public Sector Accounting Standards Board and The National Treasury's Circular Ref: AG.4/16/2 Vol.3(72) dated 30 June, 2021.

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 matter 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

Irregular Use of Direct Procurement for Purchase of Motor Vehicle

Note 16 to the financial statements reflects Kshs.12,982,286 in respect of property, plant and equipment. Included in this balance are additions totalling Kshs.6,408,470 which includes Kshs.5,230,000 which was procured by the Council through direct procurement method. Management did not provide tender documents, appointment letters for the Tender Evaluation Committee, contract for the purchase of the motor vehicle, notification of the tender to the Public Procurement Regulatory Authority, and approval by the Accounting Officer to use the direct procurement method. This was contrary to Section 103 and Section 104(b) and (d) of the Public Procurement and Asset Disposal Act, 2015 on minimum conditions for procurement, appointment of evaluation committee and signing of contract. The procurement also violated the provisions of Regulations 90(b) and 90(6) of the Public Procurement and Asset Disposal Regulations, 2020 on notification to the Authority and approval by the Accounting Officer.

In addition, review of the logbook for the purchased motor vehicle provided for audit revealed that the purchased car had one previous owner. It was therefore not clear why the Council paid the market price for a new car when the logbook indicated that the car was pre-owned.

In the circumstances, Management was in breach of the law and value for money on the expenditure of Kshs.5,230,000 could not be confirmed.

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

Basis for Conclusion

1. Lack of a Fully Constituted Council

Review of the financial statements submitted for audit revealed that the Council is made up of nine (9) members contrary to Regulation 8(1) of the Veterinary Surgeons and Veterinary Para-Professionals (Veterinary Medicines Directorate) Regulations, 2015 which stipulates that the Council shall be made up of ten (10) members.

In addition, during the year under review, two members of the Council, the Registrar of the Pharmacy and Poisons Board and the Chief Executive Officer of the Kenya Veterinary Board were absent in all the meetings held for that year. However, the Directorate did not provide for audit evidence of communication from the Council to the Cabinet Secretary advising the latter on the removal of members who had not attended more than three (3) consecutive meetings of the Council during the year for their replacement.

In the circumstances, the Management lacked the full support of the Council members on issues of risk, controls and governance and associated assurance.

2. Understaffing at the Council

Review of the Council's human resource records including the approved staff establishment revealed the optimal staffing level of two hundred and sixteen (216) against the current eleven (11) members of staff in position. The Council was significantly understaffed with respect to the approved organizational structure and functions. Further, the Council did not have inspectors and did not provide any evidence of any gazetted inspectors tasked with the responsibility of discharging inspection function, which is its core mandate.

In the circumstances, the Management lacked the requisite staffing levels to be able to run the day-to-day activities, thereby adversely affecting delivery of its mandate as stipulated by law.

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 Council

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

In preparing the financial statements, Management is responsible for assessing the Council's ability to continue to sustain services, disclosing, as applicable, matters related

to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Council or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 ability of the Council 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 Council to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

05 April, 2023



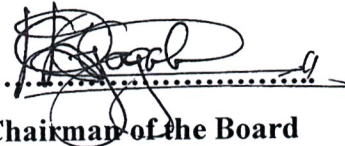
Veterinary Medicines Directorate Council (VMDC)
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13. Statement of Financial Performance for the year ended 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	6,300,000	6,300,000
		6,300,000	6,300,000
Revenue from exchange transactions			
Rendering of services	7	100,970,844	94,850,398
Total revenue		107,270,844	101,150,398
Expenses			
Use of goods and services	9	7,140,565	6,064,103
Employee costs	10	18,782,651	8,813,401
Board Expenses	11	8,135,678	5,661,916
Depreciation and amortization expense	12	1,768,007	2,268,130
Repairs and maintenance	13	578,848	1,097,037
Total expenses		36,405,749	23,904,586
Other gains/(losses)			
Gain on foreign exchange transactions	8	13,673,146	1,463,850
Surplus/(deficit) for the period/year		84,538,241	78,709,663
Net Surplus for the year		84,538,241	78,709,663

The notes set out on pages 1 to 6 form an integral part of these Financial Statements.

The Financial Statements set out on pages 7 to 29 were signed on behalf of the Board of Directors by:



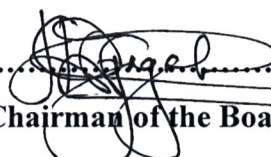
Sign: 		
Accounting Officer,	Head of Finance	Chairman of the Board
Name: C.E.O Dr. Jane N. Njiru	Dennis M. Karanja ACCA No: 2298153	Dr. Obadiah N Njagi, PhD, OGW
Date: 08/02/2023	08/02/2023	09/02/2023

Veterinary Medicines Directorate Council (VMDC)
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14 Statement of Financial Position as at 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	14	354,758,845	287,361,409
Receivables from Non-Exchange Transactions	15	7,095,976	2,183,000
Total Current Assets		361,854,821	289,544,409
Non-Current Assets			
Property, Plant and Equipment	16	12,982,286	7,737,079
Intangible Assets	17	7,000,622	-
Total Non- Current Assets		19,982,907	7,737,079
Total Assets		381,837,728	297,281,488
Liabilities			
Current Liabilities			
Trade and Other Payables	18	18,000	-
Total Current Liabilities		18,000	-
Non-Current Liabilities			
Total Non- Current Liabilities		-	-
Total Liabilities		18,000	-
Net Assets			
Reserves		381,819,728	297,281,488
Total Net Assets		381,819,728	297,281,488
Total Net Assets and Liabilities		381,837,728	297,281,488

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

Sign:   

Accounting Officer, Head of Finance Chairman of the Board

Name: C.E.O Dr. Jane N. Njiru Dennis M. Karanja Dr. Obadiah N Njagi, PhD, OGW

ACCA No: 2298153

Date: 08/02/2023 05/02/2023 09/02/2023

Veterinary Medicines Directorate Council (VMDC)
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for the year ended June 30, 2022.

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



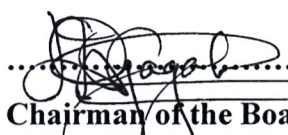
	Retained earnings	Capital/Development Grants/Fund	Total
	Kshs	Kshs	Kshs
As at July 1, 2020	218,571,825	-	218,571,825
Issued new capital	-	-	-
Revaluation gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Deferred tax on excess depreciation	-	-	-
Fair value adjustment on quoted investments	-	-	-
Surplus/ deficit for the year	78,709,663	-	78,709,663
Capital/development grants received during the year	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-
Dividends paid	-	-	-
Interim dividends paid	-	-	-
Proposed final dividends	-	-	-
As at June 30, 2021	297,281,488	-	297,281,488
As at July 1, 2021	297,281,488	-	297,281,488
Issue of new share capital	-	-	-
Revaluation gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Deferred tax on excess depreciation	-	-	-
Fair value adjustment on quoted investments	-	-	-
Surplus/ deficit for the year	84,538,241	-	84,538,241
Capital/development grants received during the year	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-
Dividends paid	-	-	-
Interim dividends paid	-	-	-
Proposed final dividends	-	-	-
As at June 30, 2022	381,819,728	-	381,819,728

Veterinary Medicines Directorate Council (VMDC)
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16. Statement of Cash Flows for the year ended 30 June 2022

	Notes	2021-2022 Kshs	2020-2021 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities		6,300,000	4,725,000
Rendering of services		100,970,844	94,850,398
Other income		13,673,146	1,463,850
Total receipts		120,943,989	101,039,248
Payments			
Use of goods and services		7,140,565	6,064,103
Employee costs		18,782,651	8,813,401
Board Expenses		8,135,678	5,661,916
Repairs and maintenance		578,848	1,097,037
Total payments		34,637,742	21,636,456
Adjustments for changes in working capital			
Decrease/(increase) in non-current receivables		(5,517,720)	-
(Decrease)/increase in non-current payables		18,000	(439,281)
Net cash flows from/(used in) operating activities		80,806,528	78,963,511
Cash flows from investing activities			
Purchase of PPE and Intangible assets		(13,409,092)	(975,463)
Net cash flows from/(used in) investing activities		(13,409,092)	(975,463)
Cash flows from financing activities			
Net cash flows from financing Activities		-	-
		-	-
Net increase/(decrease) in cash & Cash equivalents		67,397,436	77,988,048
Cash and cash equivalents at 1 July		287,361,408	209,373,360
Cash and cash equivalents at 30 June		354,758,845	287,361,408

The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

Sign: 		
Accounting Officer,	Head of Finance	Chairman of the Board
Name: C.E.O Dr. Jane N. Njiru	Dennis M. Karanja	Dr. Obadiah N Njagi, PhD, OGW
	ACCA No: 2298153	
Date: 08/02/2023	08/02/2023	09/02/2023

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

	Original budget Kshs	Adjustments Kshs	Final budget Kshs	Actual on comparable basis Kshs	Performance difference Kshs	% of utilization
Recurrent Revenue:	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Details						
1 Internally Generated revenue from fees	58,200,000	-	58,200,000	100,970,844	(42,770,844)	173
2 Governments Grants for Recurrent	6,300,000	-	6,300,000	6,300,000	-	100
3 Total Recurrent Revenue	64,500,000	-	64,500,000	107,270,844	(42,770,844)	166
Operating Expenses:						
4 Personnel Emoluments	31,900,000	(960,000)	30,940,000	9,950,627	20,989,374	32
basic salary	10,500,000	-	10,500,000	4,437,400	6,062,600	42
house allowances	6,600,000	-	6,600,000	1,525,000	5,075,000	23
Commuter allowance	1,600,000	-	1,600,000	360,000	1,240,000	23
Domestic & Extraneous Allowance	1,600,000	-	1,600,000	420,000	1,180,000	26
Leave allowance	800,000	-	800,000	424,900	375,100	53
gratuity	1,000,000	-	1,000,000	600,780	399,220	60
seconded staff top-up	6,500,000	(960,000)	5,540,000	-	5,540,000	-
medical allowance	2,500,000	-	2,500,000	2,092,844	407,156	84
casual wages	800,000	-	800,000	89,703	710,298	11
7 Councils Expenses	7,750,000	960,000	8,710,000	8,135,678	574,322	93
sitting allowance	4,000,000	-	4,000,000	3,866,000	134,000	97
Travelling expenses	3,000,000	-	3,000,000	2,948,400	51,600	98
Honoraria	-	960,000	960,000	960,000	-	100
council training	350,000	-	350,000	-	350,000	-
Millage	250,000	-	250,000	218,673	31,327	87
lunch allowances	150,000	-	150,000	142,605	7,395	95
8 Operating/Administrative Expenses	20,817,954	-	20,817,954	14,129,288	6,688,666	68
Communication, Supplies and Services	1,200,000	-	1,200,000	1,197,572	2,428	100
Domestic Travel and Subsistence	10,400,000	-	10,400,000	6,763,021	3,636,979	65

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	Foreign Travel and Subsistence	2,000,000	1,345,000	3,345,000	2,069,003	1,275,997	62
	Printing , Advertising & General Supplies and Services	1,400,000	(1,095,000)	305,000	218,507	86,493	72
	Training Expenses	750,000	-	750,000	498,648	251,352	66
	Hospitality Supplies and Services	2,000,000	-	2,000,000	1,171,083	828,917	59
	staff uniform	250,000	(250,000)	-	-	-	-
	rent expenses	1,787,954	-	1,787,954	1,787,954	(0)	100
	membership subscriptions	135,000	-	135,000	70,000	65,000	52
	refined fuel, oils and lubricants	500,000	-	500,000	53,500	446,500	11
	legal expenses	95,000	-	95,000	-	95,000	-
	Corporate Social Responsibility	300,000	-	300,000	300,000	-	100
9	<i>Repairs and Maintenance</i>	830,000	-	830,000	578,848	251,152	70
	Routine Maintenance - Vehicles	700,000	-	700,000	526,648	173,352	75
	Maintenance of office furniture and fittings	30,000	-	30,000	-	30,000	-
	Maintenance Computers and Other Office Equipment	100,000	-	100,000	52,200	47,800	52
10	<i>other administrative expenses</i>	2,876,808	-	2,876,808	2,381,203	495,605	83
	Insurance Costs	700,000	-	700,000	613,196	86,804	88
	Depreciation and amortization expense	2,176,808	-	2,176,808	1,768,007	408,801	81
12	Total Operating expenses	64,174,762	-	64,174,762	35,175,644	28,999,118	55
13	Operating Surplus/ (Deficit)	325,238	-	325,238	72,095,200	(71,769,962)	
	Capital Budget						
	Capital Funding: Reverses	14,070,000	-	14,070,000	13,783,417	286,583	98
	Total	14,070,000	-	14,070,000	13,783,417	286,583	98

Budget notes

1. Personnel Emoluments- The process of recruitment faced delays hence the low absorption of the funds.
2. The change of the budget was necessitated by low allocation of GMP foreign travel but with decline in the disease GMP foreign travel was permitted.
3. There was an approved capital budget financed by the reserves which catered for capital purchases.

18. Notes to the Financial Statements

1. General Information

Veterinary Medicine Directorate Council is established by and derives its authority and accountability from Veterinary Surgeons and Veterinary Paraprofessionals, Act CAP 366, Act. Veterinary Medicine Directorate is wholly owned by the Government of Kenya and is domiciled in Kenya. The Veterinary Medicine Directorate Council's principal activity is as outlined in earlier pages.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarial determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

ii. Early adoption of standards

The Veterinary Medicine Directorate Council did not early – adopt any new or amended standards in year 2021/2022.

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

Veterinary Medicine Directorate Council 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.

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Veterinary Medicine Directorate Council upon receiving the respective approvals in order to conclude the final budget.

The Veterinary Medicine Directorate Council'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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 actual as per the statement of financial performance has been presented in the financial statements.

c) Taxes

Current income tax

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

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

Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Property, plant and equipment

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

The depreciation is on a reducing balance basis with the rates of the different classifications as follows: Computers and related Computer equipment, at 30% p.a, Office equipment, furniture, and fittings Furniture, plant & Machinery at 12.5% p.a and Motor vehicles at 25% p.a.

e) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite. The intangible assets that is Computer software is amortization over 15 years and in straight-line depreciation technique.

a) Research and development costs

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

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

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

b) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Notes to the Financial Statements (Continued)

Loans and receivables

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

Held-to-maturity.

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

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Loans and borrowing

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

c) Inventories

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

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

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

d) Provisions

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) Contingent liabilities

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

f) Contingent assets

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

g) Nature and purpose of reserves

The Veterinary Medicines Directorate Council creates and maintains reserves in terms of specific requirements.

h) Changes in accounting policies and estimates

The Veterinary Medicines Directorate Council recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

i) Employee benefits

Retirement benefit plans

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

j) Foreign currency transactions

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

k) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

l) Related parties

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

m) Service concession arrangements

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

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

n) Cash and cash equivalents

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

o) Comparative figures

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

p) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual value

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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Notes to the Financial Statements (Continued)

6. Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2021/22	Prior year 2020/21
	KShs	KShs	KShs	KShs	KShs
State Department of Livestock	6,300,000	-	-	6,300,000	6,300,000
Total	6,300,000	-	-	6,300,000	6,300,000

7. Rendering of Services

Description	2021-2022	2020-2021
	KShs	KShs
Veterinary Medicines Dossier / Products Registration Fees.	10,194,086	11,746,440
Veterinary Medicines Good Manufacturing Practice Fees (foreign site)	7,519,040	8,520,106
Veterinary Medicines Good Manufacturing Practice Fees (local site)	517,832	400,000
Veterinary Medicines Wholesale Dealers Premises Licence Fees	3,188,756	3,137,173
Veterinary Medicines Wholesale Premises Inspection Fees	600,000	1,670,000
Veterinary Medicines Retail Pharmacy Licence Fees	470,000	675,000
Veterinary Medicines Retail Pharmacy Inspection Fees	225,000	405,000
Veterinary Medicines Import Verification Fees	51,225,126	41,712,563
Veterinary Medicines Import Permit Fees	5,357	1,261,809
Veterinary Medicines Products Retention Fees	26,234,645	22,873,386
Products Advertisement	250,000	400,000
Manufacturing License	511,000	2,048,921
Products Appeal Fees	30,000	-
Total Revenue from The Rendering of Services	100,970,844	94,850,398

8. Other Income-Gain on foreign exchange transactions

Description	2021-2022	2020-2021
	KShs	KShs
Foreign Exchange gain	13,673,146	1,463,850
Total other income	13,673,146	1,463,850

9. Use of Goods and Services

Description	2021-2022	2020-2021
	KShs	KShs
Subscriptions	70,000	12,000
Conferences and delegations	1,171,083	1,078,700
Consulting fees	-	-
Fuel and oil	53,500	5,000
Insurance	613,196	339,973
Legal expenses	-	5,000
Printing and stationery	218,507	1,322,750
Rental	1,787,954	1,772,542
Telecommunication	1,197,572	386,000
Training	498,648	-
Travel, accommodation, subsistence and other allowances	1,185,920	510,260
Other general expenses	344,185	631,877
Total use of goods and services	7,140,565	6,064,103

10. Employee Costs

	2021-2022	2020-2021
	KShs	KShs
Staff Salaries	7,681,680	749,000
Employer contribution to health insurance schemes	86,400	17,200
Wages and Stipends	89,703	210,917
Travel, motor car, accommodation, subsistence, and other allowances	8,832,024	6,855,800
Staff medical cover	2,092,844	-
Other employee related costs		980,484
Employee costs	18,782,651	8,813,401

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11. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Honoraria	672,000.00	-
Sitting allowances	2,700,500	2,820,000
Board and committee travel & accommodation	3,167,073	2,069,200
Board induction and Training	-	522,000
Other allowances	1,596,105	250,716
Total	8,135,678	5,661,916

12. Depreciation and Amortization Expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	1,768,007	2,268,130
Intangible assets	-	-
Total depreciation and amortization	1,768,007	2,268,130

13. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Vehicles	526,648	1,044,837
Computers and accessories	52,200	52,200
Total repairs and maintenance	578,848	1,097,037

14 (a). Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Account	354,758,845	287,361,409
Savings Account	-	-
On - Call Deposits	-	-
Fixed Deposits Account	-	-
Staff Car Loan/ Mortgage	-	-
Others(Specify)	-	-
Total Cash And Cash Equivalents	354,758,845	287,361,409

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Notes to the Financial Statements (Continued)

14 (b) Detailed Analysis of the Cash and Cash Equivalents

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
a) Current Account			
National Bank of Kenya	01071203347300	193,360,828	168,443,936
National Bank of Kenya	02071203347300	161,398,017	118,917,472
Sub- Total		354,758,845	287,361,409
b) On - Call Deposits			
Sub- Total		-	-
c) Fixed Deposits Account			
Sub- Total		-	-
d) Staff Car Loan/ Mortgage			
Sub- Total		-	-
e) Others(Specify)		-	-
Sub- Total		-	-
Grand Total		354,758,845	287,361,409

15. Receivables from Non-Exchange Transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Other debtors (non-exchange transactions)	7,095,976	608,000
GOK AIA	-	1,575,000
Total current receivables	7,095,976	2,183,000

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Notes to the Financial Statements (Continued)

16 (a). Property, Plant and Equipment

	Motor vehicles	Furniture and fittings	Computers	Other	Plant and equipment	Capital Work in progress	
Cost	Shs	Shs	Shs	Shs	Shs	Shs	
At 1 July 2020	11,640,760	2,194,232	1,709,718	-	-	-	15,544,710
Additions	-	640,250	335,213	-	-	-	975,463
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
At 30th June 2021	11,640,760	2,834,482	2,044,931	-	-	-	16,520,173
Additions	5,230,000	410,750	767,720	-	-	-	6,408,470
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-
At 30th June 2022	16,870,760	3,245,232	2,812,651	-	-	-	22,928,643
Depreciation and impairment							
At 1 July 2020	5,092,833	514,273	514,273	-	-	-	6,121,379
Depreciation	1,636,982	209,995	209,995	-	-	-	2,056,972
Impairment	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-
At 30 June 2021	6,729,814	724,268	724,268	-	-	-	8,178,350
Depreciation	1,227,736	263,777	276,494	-	-	-	1,768,007
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-
At 30th June 2022	7,957,551	988,045	1,000,762	-	-	-	9,946,357
Net book values							
At 30th June 2021	4,910,946	2,110,214	1,320,663	-	-	-	8,341,823
At 30th June 2022	8,913,209	2,257,187	1,811,889	-	-	-	12,982,286

16 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Motor Vehicles	16,870,760	7,957,551	8,913,209
Computers and Related Equipment	2,713,021	1,399,779	1,313,242
Office Equipment, Furniture, And Fittings	3,206,482	988,045	2,218,437
Total	22,790,263	10,345,374	12,444,889

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Notes to the Financial Statements (Continued)

17. Intangible Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At beginning of the year	-	-
Additions	7,000,622	-
At end of the year	7,000,622	-
Additions–internal development	-	-
At end of the year	7,000,622	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	7,000,622	-
NBV	7,000,622	-

18. Trade and Other Payables

Description	2021-2022	2020-2021
	Kshs	Kshs
Payables	18,000	-
Total Payables	18,000	-

f) Financial Risk Management

The Veterinary Medicines Directorate Council’s activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity’s overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Entity’s financial risk management objectives and policies are detailed below:

i) Credit risk

The Veterinary Medicines Directorate Council has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on

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internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2022				
Trade payables	-	18,000	-	-
Total	-	18,000	-	-
As at 30 June 2021				
Trade payables	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements (Continued)

Financial Risk Management

iii) Market risk

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

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

a) Foreign currency risk

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

Notes to the Financial Statements (Continued)

Financial Risk Management

Financial Risk Management

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

b) Interest rate risk

Interest rate risk is the risk that the Entity's financial condition may be adversely affected as a result of changes in interest rate levels. The Entity's interest rate risk arises from bank deposits. This exposes the Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The Veterinary Medicines Directorate Council analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

iv) Capital Risk Management

The objective of the Veterinary Medicines Directorate Council's capital risk management is to safeguard the Entity's ability to continue as a going concern.

g) Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of Veterinary Medicines Directorate Council, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Veterinary Medicines Directorate Council, both domestic and external.

Other related parties include:

- i) Ministry of Agriculture, Livestock, Fisheries and Cooperatives (MALF&C)
State Department for Livestock (SDL).
- ii) Key management.
- iii) Board of directors.

h) Events after the Reporting Period

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

i) Ultimate and Holding Entity

The Veterinary Medicines Directorate Council is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Ministry of Agriculture, Livestock, Fisheries and Cooperatives. Its ultimate parent is the Government of Kenya.

j) Currency

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

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19. Appendix

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
VMD/2018/19- Audit draft Report	Non-availability of key policy manuals and strategic plan	The Directorate has developed draft Strategic plan, Finance and procurement policy, in addition to Key Standard Operating Procedures for technical departments. ICT policy pending.	Not Resolved	30 th June 2023
VMD/2020/21- Audit draft report	Anomalies in cash and cash Equivalents	The Directorate has put in place a policy to address the issue. In addition to rectifying the errors.	Resolved	30 th June 2022
VMD/2020/21-Audit draft report	Inconsistency in Receivables from Non-Exchange Transactions	The Directorate has rectifying the issue	Resolved	30 th June 2022
VMD/2020/21-Audit draft report	Lack of Internal Audit Function	The directorate is in the process of recruiting an Auditor	Not Resolved	31 st December 2022
VMD/2020/21-Audit draft report	Lack of Enterprise Wide Risk Management (ERM)	The directorate is in the process of recruiting an ICT officer and auditor	Not Resolved	31 st December 2022
VMD/2020/21-Audit draft report	Lack of Resource Planning, Management and Control System	The directorate has installed an Enterprise Resource planning system	Resolved	30 th June 2022
VMD/2020/21-Audit	Understaffing of the	The directorate is in the continuous	Not Resolved	30 th June 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
draft report	Veterinary Medicines Directorate Council	process of recruiting.		

Guidance Notes:

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

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CEO. Dr. Jane N. Njiru

Date.....08/02/2023.....

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Appendix II: Transfers from Other Government Entities

Name of MHA Fee Entitlement of the item	20-Sep-21	1,050,000	1,050,000	0	0	0	0	0	0	0	0	1,050,000
	State Department of Livestock	17-jun-21	525,000	525,000	0	0	0	0	0	0	0	0
2-Dec-21		1,575,000	1,575,000	0	0	0	0	0	0	0	0	1,575,000
07-Feb-22		1,575,000	1,575,000	0	0	0	0	0	0	0	0	1,575,000
18-May-22		1,575,000	1,575,000	0	0	0	0	0	0	0	0	1,575,000
Total			6,300,000	6,300,000	0	0	0	0	0	0	0	0

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