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THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA VETERINARY VACCINES
PRODUCTION INSTITUTE**

**FOR THE YEAR
ENDED 30 JUNE 2015**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100





KENYA VETERINARY VACCINES PRODUCTION INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2015

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

- **KEY ENTITY INFORMATION AND MANAGEMENT**

- **Background information**

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

- **Principal Activities**

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

- **Key Management**

The management is composed of the Managing Director, who is the Chief Executive of the Institute and Secretary to the Board, two Deputy Directors responsible for Technical services and Finance, Human Resource and Administration departments and Heads of Divisions.

- **Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were as per the table of management team on pages 10-13.

- **Fiduciary Oversight Arrangements**

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

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015

- **Principal Legal Adviser**

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

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**



Prof. Isaac M. Mbeche
Board Director

Key Qualification

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

Date of Birth: -22ND AUGUST, 1952.

Work Experience:

Feb.2011-Date Deputy Vice-Chancellor (Student Affairs) University of Nairobi
2002-Jan.2011 Principal, College of Humanities and Social Sciences, University of Nairobi.
Chairman and Member of Various Committees within and outside UON



Mr. Robert M. Mburu

Key Qualification-Egerton University
BSC. Agriculture education and Extension

Date of Birth: - 22 July 1965

Work Experience:

- April 2010 to Date Operations Manager-Gicheha farm.
- July 2007 to March 2010 Group Manager in charge of several estates managers at Tropical farm Management.
- Mar.2002- Jun. 2007: Operations director in charge of all operations at Robert Flowers.
- April 1997- May. 2002: Production Manager at Willam K. Ltd
- 1990 to March 1997: Estate Manager at Tropical Farm Management.



Mr. Abdi Adan Suleiman
Key Qualification:- University of Nairobi
B.ED (Sc.) Honours

Date of Birth: - 30th June 1953




Work Experience:

- July 2012 appointed KEVEVAPI board member.
- Mar. 2009- Mar. 2012 Chairman Kenya Meat Commission.







**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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	<ul style="list-style-type: none">• Position: Officer In charge of the Regional Veterinary Investigation Laboratory – Nakuru <p>August 1994 - April 2001.</p> <ul style="list-style-type: none">• Organization: Ministry of Agriculture and Rural Development• Position: Senior Veterinary Officer• Deputy Officer In charge of the Regional Veterinary Investigation Laboratory (Both Technical and Administrative services) <p>November 1990 - August 1994</p> <ul style="list-style-type: none">• organization: Ministry of Agriculture, Livestock Development and Marketing• Position Veterinary Officer I• In Charge of technical and administrative duties of Protozoology and Serology section.• In Charge of Dip testing and reporting of dip testing results. <p>August 1986 - November 1990</p> <ul style="list-style-type: none">• Organization: Ministry of Agriculture• Position Veterinary Officer II• In Charge of technical and administrative duties of Protozoology and Serology section.• In Charge of Dip testing and reporting of dip testing results.• In-charge of experimental animals.• Routine disease diagnosis, disease investigation and disease Sero-surveillance.
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**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

 <p>Mr. Isacko Galgallo Mamo Key Qualification: B.ED (Arts)- Catholic University Of East Africa</p>	<ul style="list-style-type: none"> • July 2012 appointed KEVEVAPI board member. • 2006- to date: Nomadic Action for Self-Improvement (NAFSI-CBO) Team Leader • 1996- to 2006: District Officer served in Makueni, Meru, Kitui, Nyeri and Kirinyaga Districts. • 1993 to 1996: Teachers Advisory Centre Tutor in charge of North Horr Division •
 <p>Mr. Sospeter Nyongesa Key Qualification: Cert. Animal Health Cert Animal Health</p>	<p>Date of Birth: 1972</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • July 2012 appointed KEVEVAPI board member. • Private Animal Health and Artificial Insemination service Provider. • 2006 -2012 Chairman – Bungoma Association of Health Technicians
 <p>Mr. Aden Abdulla Hussein Key Qualification: M.ED – University of Hull, UK.</p>	<p>Date Of Birth: 15 April 1950</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • Jan. 2006 – Apr. 2007: Assistant Director Of Education- deputizing for Deputy Director in charge of Inspection, Training and Evaluation (ITE) in his absence. • Mar. 2003 – Dec. 2005: Senior Adult Education Officer at DAE Hqs. • May 2000 – Dec. 2002 Provincial Adult Education Officer, North eastern Province • Jan 1998- Apr. 2000: District Adult Education Officer Isiolo District.

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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 Dr. Jane Wanjugu Wachira Ag. Chief Executive Officer (CEO).	MSC UK, BVM(UON), A, level
 Dr. Richard Odek Arina Marketing Manager	Pursuing MBA BVM KACE 3Ps KCE DIV II
 Mr. Peter Macharia Gitau Chief Accountant	MBA-Finance ((UoN) BCOMM-Finance option, CPA,K KCSE B- KCPE
 Mr. Geoffrey Simwa Human Resources and Administration Manager	CPS II Dip. HRM(TZ) Dip. HRD (KU) KACE 2Ps, 2Subs KCE DIV II
 Mr. Nahshon Kinyaka Kyangu Production Manager-Kabete	Dip.(Medical Lab) EAACE EACE
 Mr. Stephen Gitonga Njeu	Pursuing MSc. Infectious Dis Higher Dip. Applied Biology Dip. Applied Biology KACE 1P, 1Sub KCE DIV II

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

• **CHAIRMAN'S STATEMENT**

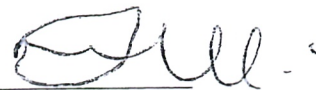
The State Corporations Act (Cap.446) requires the Board of Management to prepare financial statements for each financial year, which include a statement of financial position showing in detail the assets and liabilities of the Institute, a statement of comprehensive income, and such other statements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

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

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

Chairman: Prof. James K. Wabacha

Sign _____



Date 05/07/2016

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

The mandate of KEVEVAPI

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

BOARD OF DIRECTORS.

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

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

The members include:

- Non – executive Chairman appointed by the President
- Managing Director
- The Permanent Secretary, State Department of livestock.
- The Permanent Secretary, National Treasury.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

CONSTRAINTS OF VACCINES PRODUCTION.

Poor State of Plant and Equipment

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant require Kshs 5.6 Billion. For the budget period, we are requesting Kshs. 504.6 to enable the institute attain GMP/ISO standards which will enable the institute access outside market. We sincerely hope that this will be availed in 2016/2017.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

• **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

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

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

• **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the institute's financial statements, which give a true and fair view of the state of affairs of the institute for and as at the end of the financial year (period) ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the institute; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the institute's financial statements give a true and fair view of the state of institute's transactions during the financial year ended June 30, 2015, and of the institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the institute's financial statements as well as the adequacy of the systems of internal financial control.

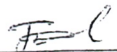
Nothing has come to the attention of the Directors to indicate that the institute will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The institute's financial statements were approved by the Board on 30/09/2015 and signed on its behalf by:



Director



Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenya.o.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Veterinary Vaccines Production Institute set out on pages 1 to 23, which comprise a statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows, 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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

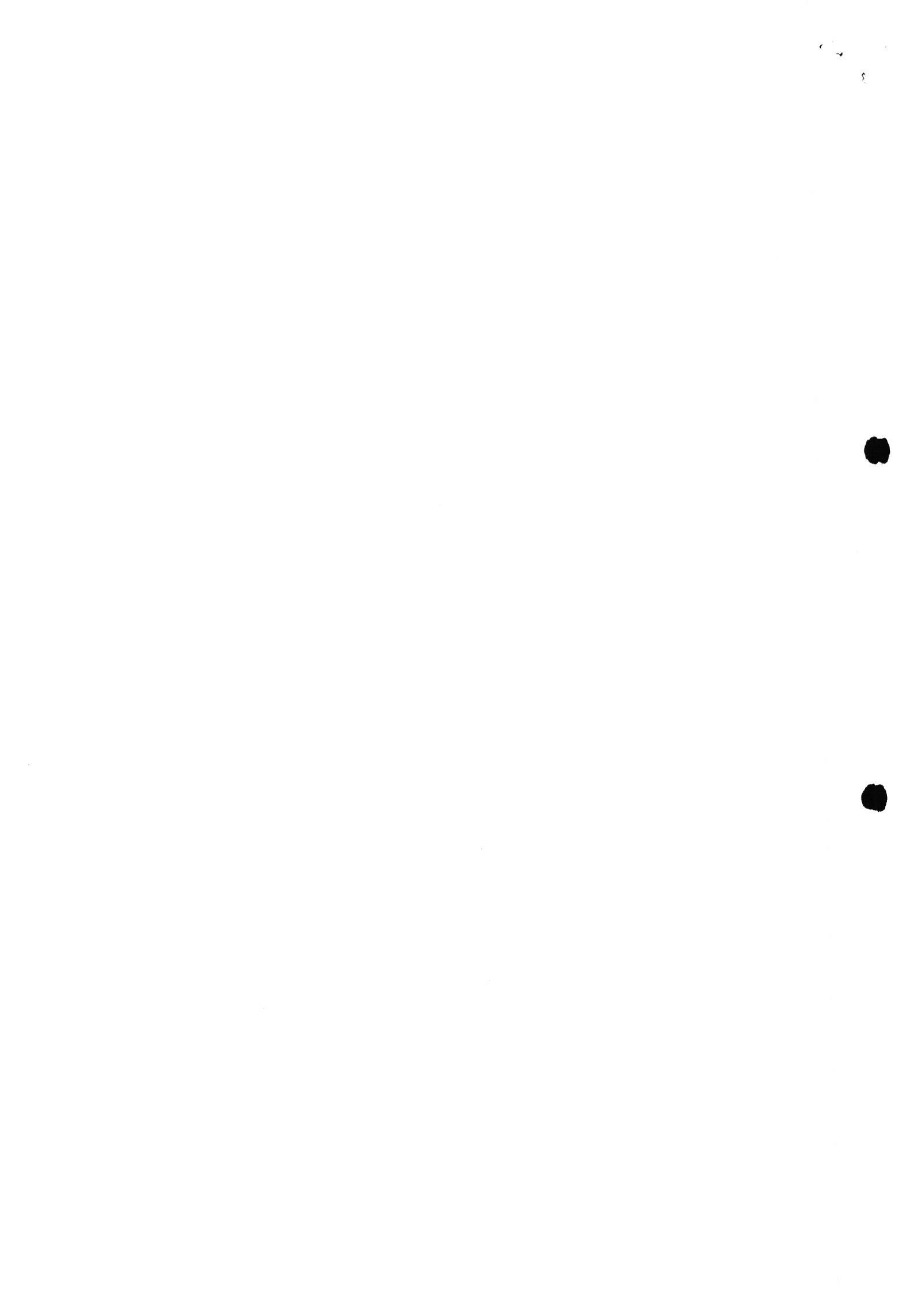
The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Kenya Veterinary Vaccines Production Institute - Annual Report and Financial Statements for the year ended 30 June 2015



1.2 Motor Vehicles

Included in the property, plant and equipment balance of Kshs.649,943,000.00 are four (4) motor vehicles whose registration log books were registered in the name of a different Institute, the Kenya Agricultural Research Institute. Further, log book for a tractor registration number KAD 199 was not produced for audit verification.

No explanation has been provided on the above anomalies, as a result of which, the ownership and valuation of the above vehicles as reflected in these financial statements could not be ascertained.

2. Trade and Other Payables

The trade and other payables balance of Kshs.30,921,000.00 and as reflected in the statement of financial position, includes rates accruals totalling Kshs.13,180,000.00 that have remained unpaid for periods going as far back as year 1998 and so continued to attract interest and penalties which have not been incorporated in these financial statements. No explanation has been provided for the failure to settle and/or clear the balances over the years.

3. Receivables

Included in the receivables balance of Kshs.242,632,000.00 are other balances of Kshs.111,615,000.00 most of which are long outstanding and brought forward from prior periods. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.

4. Cash at Bank

The bank reconciliation statement as at 30 June 2015 for KCB bank account reflects receipts in Mpesa account totalling Kshs.6,360,058.00 that are not reflected in the cash book. This has resulted in understatement of bank balances and receipts/revenue by Kshs.6,360,058.00, hence the accuracy of the bank balance as reflected in these financial statements could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Veterinary Vaccines Production Institution as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Kenya Veterinary Vaccines Production Order of 1990.



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

Nairobi

03 August 2016

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

• **KEVEVAPI STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2015**

		2014/15 Kshs'000	2013/14 Kshs '000
Revenue from exchange transactions			
Sale of Vaccines	2	538,289	351,721
Cost of production	3	<u>(341,609)</u>	<u>(234,522)</u>
Gross Profit		196,680	117,199
Finance income –Bank Interest earned		1,939	580
Other income-Sundry income	4	1,005	1,526
Total		199,624	119,305
Administrative Expenses			
Employee costs	5	34,406	26,470
Depreciation and amortization expense	6	3,359	2,725
Repairs and maintenance	7	1,432	1,582
General expenses	8	72,748	50,170
Provision for bad & Doubtful Debts		2,440	2,180
Total expenses		114,385	83,127
Other gains/(losses)			
Gain on sale of assets		-	358
Gain on foreign exchange transactions		5,846	1,370
Surplus before tax		91,085	37,906
Taxation		-	-
Surplus for the period		91,085	37,906

The notes set out on pages 6 to 21 form an integral part of the Financial Statements

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

• **STATEMENT OF CHANGES IN NET ASSETS**
For the year ended 30 June 2015

Attributable to the owners of the controlling entity

	Capital Fund Kshs '000	Capital Grant Kshs '000	Revaluation Reserve Kshs '000	Accumulated surplus Kshs '000	Total Kshs '000
Balance as at 30 JUNE 2012	367,249	52,500	272,829	363,054	1,055,631
Surplus/(deficit) for the period	-	-	-	19,121	19,121
Additional GOK Grant	-	61,200	-	-	61,200
Balance as at 30 JUNE 2013	367,249	113,700	272,829	382,174	1,135,952
Surplus for the period	-	-	-	37,906	37,906
Additional GOK Grant	-	18,750	-	-	18,750
Balance as at 30 JUNE 2014	367,249	132,450	272,829	420,080	1,192,608
Surplus for the period	-	-	-	91,085	91,085
Additional GOK Grant	-	19,000	-	-	19,000
Balance as at 30 JUNE 2015	367,249	151,450	272,829	511,165	1,302,693

See note 1(i)

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

• **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	REF
	2014-2015	2014-2015	2014-2015	2014-2015	2014-2015	
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	
Revenue						
Government grants and subsidies	70,000	51,000	19,000	19,000	-	1
Sale of vaccines	380,000	-	380,000	538,290	158,290	
Other Income	1,500	0	1,500	8,790	7,290	
Total income	380,000	(51,000)	380,000	547,080	164,136	
Expenses						
Compensation of employees	54,900	-	54,900	49,484	5,416	2
Goods and services	257,200	0	257,200	341,609	84,409	
Other payments	44,000	-	44,000	64,902	(20,902)	
Total expenditure	356,100	(0)	356,100	455,995	(99,895)	
Surplus for the period	23,900	0	23,900	91,085	(67,185)	
Capital Expenditure	174,320	51,000	123,320	68,355	54,965	3

References:-

- Government grant-The institute had expected the government to offer Kshs 70 Million initially, but due to limited resources, this was adjusted to Kshs 19,000 which was received.
- Compensation of employees- The institute had planned to recruit some technical staff on permanent basis but due to a freeze on employment by the government, this was not possible hence the less spending in compensation to employees.
- Capital expenditure-The Institute spend much on equipments that will enable it produce purified oil based vaccine in order to attain GMP standards.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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Interest income

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

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

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.

Value Added Tax (VAT)

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

- When the VAT 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
- When receivables and payables are stated with the amount of VAT included

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

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015

- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

- ***Financial liabilities***

Trade payables:

Trade payables are current and are stated at their nominal value.

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

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

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

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

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

h) Provisions

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

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
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m) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the councilors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

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 various commercial banks 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) Significant judgments and sources of estimation uncertainty

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

- **Critical accounting judgments in applying the entity's accounting policies**

Impairment losses on trade and other receivables

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

Fair value estimation – financial instruments

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

q) 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, 2014.

2. Sales of vaccines(Exchange revenue)

	-2015 Shs 000	2014 Shs 000
Fortivax	289,057	188,872
Caprivax	63,651	41,590
Riftvax	58,697	38,353
Lumpivax	16,813	10,986
S&Gvax	15,084	9,856
Fowlvax	19,435	12,699
Contavax	10,407	6,800
Pestevax	37,884	24,754
Avivax	3,313	2,165
Poxvax	116	76
Turkeyvax	3	2
Bluvax	435	284
Orfvax	208	136
Rabivax	5,716	3,735
Bivax	17,470	11,415
Totals	<u>538,289</u>	<u>351,723</u>

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015

7. Repairs and Maintenance

	2015	2013
	Kshs	Kshs
Office equipment	1,013	1,581
Furniture	419	1
	<u>1,432</u>	<u>1,582</u>

8. General Expenses

	2015	2014
	KShs 000	KShs 000
Advertising	13,712	9,503
Printing & stationery	4,405	1,438
Audit fees	580	580
Other professional charges	11,544	5,957
Subscriptions	169	119
Donations	200	272
Penalties	2,159	-
Bank charges	206	709
Sundry off. Exps	2,819	2,370
Staff welfare	2,268	1,790
Administration expenses	12,046	10,233
Telecommunication	7,562	5,567
Local travel	8,807	8,181
Overseas travel	4,843	2,258
Motor vehicles	1,428	1,193
Grand Total	<u>72,748</u>	<u>50,170</u>

9. Cash and cash equivalents

	2015	2014
	KShs 000	KShs 000
Bank	174,596	173,552
Cash-on-hand and in transit	242	150
Short-term deposits(NIC Bank)	11,374	11,374
Guarantees	-	-
Total cash and cash equivalents	<u>186,212</u>	<u>185,076</u>

NB: Bank Figure Breakdown

KCB Account No. 1109016492 Kshs	657,465.01
KCB Account No 1102301108 Kshs.	78,715,404.56
KCB Account No.1107172764 Kshs	<u>95,223,047.67</u>
Total	<u>174,595,917.24</u>

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015

Property, Plant And Equipment

	Land	Buildings	WIP	Plant & Machinery	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Cost								
At 30 June 2014	343,000	143,493	58,050	223,852	6,693	6,101	7,276	788,465
Additions	-	992		121,859	630	1,373	-	124,854
Disposals	-	-	(58,050)	-	-	-	-	(58,050)
At 30 June 2015	343,000	144,485	Nil	345,711	7,323	7,474	7,276	855,269
Accumulated Depreciation and Impairment								
At 30 June 2014	-	(17,335)	-	(126,252)	(3,754)	(2,774)	(5,439)	(155,554)
Depreciation	-	(2,890)	-	(43,214)	(915)	(934)	(1,819)	(49,772)
Disposals	-	-	-	-	-	-	-	Nil
At 30 June 2015	Nil	(20,225)	Nil	(169,466)	(4,669)	(3,708)	(7,258)	(205,326)
Net book values								
At 30 June 2015	343,000	124,260	Nil	176,245	2,653	3,766	18	649,943
At 30 June 2014	343,000	126,158	58,050	97,600	2,939	3,327	1,837	632,911

Note

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

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

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015

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

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

Credit risk

Credit risk is the risk of financial loss to the institute if customers or counterparties to financial instruments fail to meet their contractual obligations. The institute's credit risk is primarily attributable to its receivables and cash and cash equivalents. The company's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors before extending credit. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2015 was:

	Fully performing KShs,000	Past due Kshs,000	Impaired Kshs	Total Ksh,000
GOK grants receivable	-	-	-	-
Trade receivables	60,020	184,254	2,440	246,714
Cash and cash equivalents	186,212	-	-	186,212
	<hr/>	<hr/>	<hr/>	<hr/>
Maximum exposure to credit risk	246,232	184,254	2,440	432,926
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The average credit period on services rendered is 90 days from date of invoice. Debts above 90 days old are classified as past due. The customers under the fully performing category are paying their debts as they continue dealing with the institute. The default rate is low. The debt that is overdue is not impaired and continues to be paid.

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the institute extends credit and also those parties with whom the institute invests. As such, the credit quality assessed extends to the customers, donors and banks of the institute. For financial statement purposes, the investments and balances with banks are limited to the receivable and cash and cash equivalents line items in the statement of financial position. The institute determines credit quality of the banks from past dealings with them and from information readily available from the regulatory authority, the Central Bank of Kenya.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015**

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

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

Description	2015	2014	2015	2014
	USD	USD	Total in KShs	Total in KShs
Assets	-	-	-	-
Bank and cash balances	798,006.94	319,557.22	78,715,404.56	27,801,478.14
Receivables	<u>517,417</u>	<u>1,567,241</u>	<u>51,038,012.88</u>	<u>136,350,000</u>
	<u>1,315,423.94</u>	<u>1,193,680.64</u>	<u>129,753,417.44</u>	<u>164,151,478.14</u>

At 30 June 2015 an increase/decrease of 10% on the US dollar exchange rates would have resulted in an increase/decrease in surplus of Sh. 12,975,341.75 (Shs142, 728,759.19 – Shs 129,753,417.44).

Capital risk management policies

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

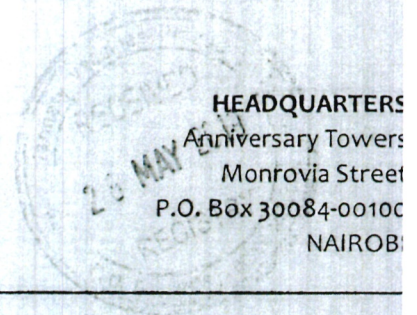
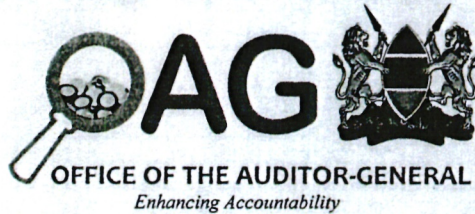
The capital structure of the institute consists only of a general fund. The gearing ratio of the institute is therefore 0%.

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
 FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015

		since it deprived KARI of its legal autonomy			
2013/3	Investment in Fixed Deposits	The investment in Fixed Deposit is not new. It was made way back in March 2008 when KEVEVAPI was part of Kenya Agricultural Research Institute (KARI) and all necessary approvals were sought by the KARI Management then.	CEO	Resolved	Resolved

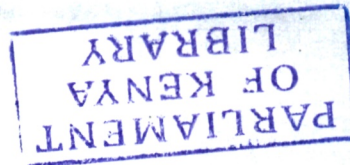
REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



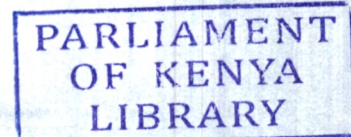
HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

KEVEVAPI/2017/2018/(11)



20 May 2019

Chief Executive Officer
Kenya Veterinary Vaccines Production Institute
P.O. Box 53260 - 00200
NAIROBI



REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30 JUNE 2018

Enclosed herewith, please find one set of the audited financial statement for Kenya Veterinary Vaccines Production Institute for the year ended 30 June 2018 duly certified by the Auditor-General for your retention and necessary action.

Please acknowledge receipt of this report.

Dennis T. Kariuki
Director of Audit
For: AUDITOR-GENERAL

Coy to: Principal Secretary
Ministry of Agriculture, Livestock and Irrigation
P.O. Box 49720
NAIROBI

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

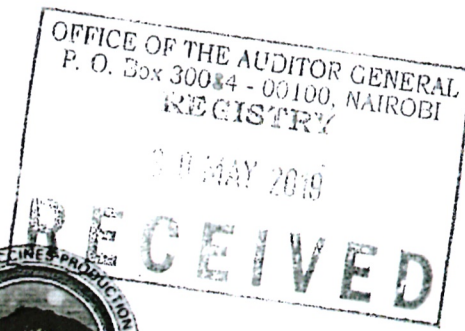
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA VETERINARY VACCINES
PRODUCTION INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE 2018**





KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
P. O. Box 53260 - 00200, TEL: 020 3540071/ 0724651895
Email: vaccines@kevevapi.org
NAIROBI

REF: KVI/C/F/4.3 /33

DATE: 30th MAY, 2019

OFFICE OF THE AUDITOR GENERAL,
KENYA NATIONAL AUDIT OFFICE
P.O.BOX 30084-00100
NAIROBI.

Attention: Mr. Dennis T. Kariuki, Director of Audit

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF
KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR END
30 JUNE 2018

We wish to confirm that we received the subject audited financial statement of our institute on 28th May 2019. We take this opportunity to thank you for your observations and recommendations. We shall implement to ensure the smooth running of the Institute.

Yours faithfully,

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

Received
[Signature]
30/5/2019

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**



**KENYA VETERINARY VACCINES
PRODUCTION INSTITUTE**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2018

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

I. KEY ENTITY INFORMATION AND MANAGEMENT

- **Background information**

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

- **Principal Activities**

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

- **Key Management**




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

- **Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:






NO.	DESIGNATION	NAME
1	Chief Executive Officer (CEO)	Dr. Jane Wanjugu Wachira
2	Head of Marketing	Dr. Richard Odek Arina
3	Head of Finance	Peter Macharia Gitau
4	Head of Procurement	Mr. Philly K. Ruttoh
5	Head of Human Resources and Administration	M/s. Rosaline Muema
6	Head of Production, Kabete	Mr. Nahshon Kinyaka Kyangu
7	Head of Production, Embakasi	M/S Nduta Mwangi
8	Head of Quality Control	Mr. Stephen Gitonga Njeu
9	Head of Research and Development	Dr. Benson Kibore
10	Head of Engineering	Mr. Benard Kuria

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	<p>Date Of Birth: 18 April 1949 Work Experience:</p> <ul style="list-style-type: none"> • 2015 to date -appointed as an Independent KEVEVAPI board member. • Present-Professor (Veterinary Microbiology and Immunology), UoN • May 2002-May 2013-Associate Professor • 16th 12/88-May 2002- Senior Lecturer • 29/11/79-16/12/88-Lecturer • 29/11/79-Assistant Lecturer
<p>Prof. Lilly Bebora Key Qualification: PHD (veterinary microbiologist, immunologist, specialist in poultry diseases, MSC, BVM</p>	<p>Date Of Birth:15 September 1959 Work Experience:</p> <ul style="list-style-type: none"> • KEVEVAPI Board member (alternate to PS Treasury) • 2011 to date: Kenya Camel Association (KCA) Veterinarian based in Nairobi Hqs/ Assistant Director Veterinary Service (ADVS) in the State Department of Livestock, Ministry of Agriculture, Livestock and Fisheries • 2004 to 2010:District Veterinary Officer / Assistant Director Veterinary Services (ADVS) in West Pokot County • 1991 to 2003: Deputy District Veterinary Officer Trans-Nzoia County/ Veterinary Officer One(VO I) • 1987 to 1990: Veterinary Officer II (VO II) in charge of Saboti division Trans-Nzoia County
	<p>Date of Birth: 09th June 1982 Work Experience:</p> <ul style="list-style-type: none"> • 2015 – To date: Appointed as an independent KEVEVAPI Board. • 2013 to date – Operations Manager Nkapune Ranch/Farmer • 2011-2012-Research Assistant at Vigdis Company • 2008-2010-HR Assistant –Lewa wildlife Conservancy • 2007-2008 Intern Lewa wildlife Conservancy • 2006-Attachee at Nomotio Livestock Improvement Centre • 2005-Deputy Presiding Officer during Referendum • 2002-Registration Clerk during General Election
<p>Dr. KisaToroitich Key Qualification: MSc (UoN),BVM</p>	
<p>M/S Joan NaigeruaLetoyia Key Qualification: Bachelor of Science in Animal Production (Egerton University), Higher Diploma in Human Resource Management(Institute of Human Resource Mgt)</p>	

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

III. MANAGEMENT TEAM

KEY MANAGER'S PASSPORT-SIZE PHOTO, NAME AND KEY PROFESSION/ACADEMIC QUALIFICATION	MAIN AREA OF RESPONSIBILITY
 Dr. Jane Wanjugu Wachira MSC UK, BVM(UON), A, level	Chief Executive Officer (CEO).
 Dr. Richard Odek Arina Pursuing MBA, BVM, KACE 3Ps, KCE DIV II	Head of Marketing
 Mr. Peter Macharia Gitau MBA-Finance ((UoN), BCOM - Finance, CPAK, KCSE, ,KCPE	Head of Finance
 M/s. Rosaline Muema MBA- Human Resource Management (UoN) MB-Sociology Moi University, Higher Diploma - HRM CPS 1 – KASNEB. Membership IHRM KACE-3 Principals, 1 sub. KCE Division II	Chief Human Resources and Administration Manager
 Mr. Nahshon Kinyaka Kyangu Dip.(Medical Lab), EAACE, EACE	Production Manager-Kabete

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**III. MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED
SECTION B**

Entity's compliance with statutory requirements

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

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

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

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

SECTION C

Key projects and investment decisions the entity is planning/implementing

(a) Poor State of Plant and Equipment

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant require Kshs 5.6 Billion. For the budget period, we had requested for Kshs. 450 Million to enable the institute attain GMP/ISO standards which will enable the institute access outside market. The Ministry allocated Kshs 450 Million of which Kshs 385.673 Million was received and fully committed. We also intend to plough back any Internally generated income to supplement the GOK grants available. We sincerely hope that the government will consider availing more grants in the 2018/19 financial year.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

XI. KEVEVAPI STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2018

		2017/18	2016/17
	Notes	Kshs'000	Kshs'000
Revenue from exchange transactions			
Sale of Vaccines	5	390,999	383,999
Cost of production	6	<u>(292,402)</u>	<u>(269,043)</u>
Gross Profit		98,597	114,956
Finance income –Bank Interest earned	7	14,622	2,183
Other income-Sundry income	8	1,884	4,019
Total		115,103	121,158
Administrative Expenses			
Employee costs	9	58,346	54,907
Depreciation and amortization expense	10	6,255	5,486
Repairs and maintenance	11	2,371	701
Board Expenses	12	13,317	11,566
General expenses	13	23,160	45,249
Provision for bad & Doubtful Debts		676	(1,108)
Total Expenses		104,125	116,801
Gain/Loss on foreign transactions	15	(6,606)	6,750
Surplus before tax		4,373	11,107
Taxation		-	-
Surplus for the period		4,372	11,107

The notes set out on pages 6 to 25 form an integral part of the Financial Statements

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Veterinary Vaccines Production Institute set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2018, and the statement of statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Veterinary Vaccines Production Institute as at 30 June 2018, 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 State Corporations Act, Cap 446 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1. Land

(a) As previously reported, the Government allocated the Institute 98.3 hectares of land registration L.R. No.209/11969 on which the Institute's Headquarters is located. In December 1994, the management applied to the Commissioner of Lands for consent to sub-divide the land into nine separate parcels, without the approval of the Treasury and the Parent Ministry as required by Section 13(c) of the State Corporations Act (Cap 446). Information available indicates that the irregularly sub-divided parcels were separately disposed to private developers without the approval of the Treasury and the Parent Ministry. A review of the position during the year under review indicated that the irregularly disposed parcels had not been recovered as at 30 June 2018.

(b) As similarly reported in previous years, the property, plant and equipment balance of Kshs. 621,739,000 as at 30 June 2018 excludes an undetermined value of land at the Kibiko holding group measuring 500 acres and in respect of which no title deed has been issued.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

X.STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the institute's financial statements, which give a true and fair view of the state of affairs of the institute for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the institute; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the institute's financial statements give a true and fair view of the state of institute's transactions during the financial year ended June 30, 2018, and of the institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the institute's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The institute's financial statements were approved by the Board on September 28, 2018 and signed on its behalf
by:


Director


Director

accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Land under Legal Disputes

I wish to draw attention to Note 20 to the financial statements, which indicates that, included in the value of land of Kshs.343,000,000 under property, plant and equipment are three parcels of land with four civil cases in court as it is alleged that they had been grabbed. Three of the cases HCCC ELC No.454 and 455 both of 2009 and HCCC ELC No.1066 of 2016 involves land measuring 1.87, 2.023 and 0.4047 hectares, respectively while the fourth case HCCC No.1015 of 2016 involves a passage of 200 meters long.

No provision has been made in these financial statements regarding this material uncertainty as the cases have not been determined and concluded. My opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and under Emphasis of Matter sections, I have determined that there are no other key audit matters to communicate in my report.

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(s) described in the Qualified Opinion and under Emphasis of Matter sections 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

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

REPORT ON EFFECTIVENESS 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 Qualified Opinion and under

not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kenya Veterinary Vaccines Production Institute to sustain its services. If I conclude that

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**XIV. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2018**

	Attributable to the owners of the controlling entity				
	Capital Fund	Capital Grant	Revaluation Reserve	Accumulated surplus	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 30 JUNE 2013	367,249	113,700	272,829	382,174	1,135,952
Surplus for the period	-	-	-	37,906	37,906
Additional GOK Grant	-	18,750	-	-	18,750
Balance as at 30 JUNE 2014	367,249	132,450	272,829	420,080	1,192,608
Surplus for the period	-	-	-	91,085	91,085
Additional GOK Grant	-	19,000	-	-	19,000
Balance as at 30 JUNE 2015	367,249	151,450	272,829	511,165	1,302,693
Surplus for the Period	-	-	-	55,048	55,048
Additional GOK Grant	-	217,100	-	-	217,100
Balance as at 30 June 2016	367,249	368,550	272,829	566,213	1,574,841
Surplus for the Period	-	-	-	55,048	55,048
Additional GOK Grant	-	217,100	-	-	217,100
Balance as at 30 June 2016	367,249	368,550	272,829	566,213	1,574,841
Surplus for the Period	-	-	-	11,107	11,107
Additional GOK Grant	-	19,051	-	-	19,051
Balance as at 30 June 2017	367,249	387,601	272,829	577,320	1,604,999
Surplus for the period	-	-	-	4,372	11,231
Additional GOK Grant	-	385,673	-	-	385,673
Balance as at 30 June 2018	367,249	773,274	272,829	581,692	2,001,903

See note 4(i)

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XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	REF
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	
Revenue						
Government grants and subsidies	450,000	-	450,000	385,673	64,327	1
Sale of vaccines	552,000	-	552,000	390,999	161,001	2.
Other Income	4,000	0	4,000	16,506	12,506	3
Gain on foreign Exchange	2000	0	2000	(6,606)	8,606	4
Total income	558,000	(0)	558,000	400,899	157,101	
Expenses						
Compensation of employees	78,100	-	78,100	58,346	19,754	5
Goods and services	347,760	0	347,760	292,402	55,358	6.
Provision for Bad Debts				676	676	7
& Depreciation	5,500	0	5,500	6,255	(755)	
Repair and Maintenance	1,500	-	1,500	2,371	(871)	8.
Board Expenses	15,000		15,000	13,317	1,683	9
General Expenses	83,900		83,900	23,160	60,740	10
Total expenditure	531,760	(0)	531,760	396,527	135,233	
Surplus for the period	26,240	0	26,240	4,372	21,868	
Capital Expenditure	440,844	0	440,844	42,481	398,364	11

References:-

1. Government grant-The institute had expected a government grant of Kshs 450 million but received Kshs. 385.673 million. The balance of Kshs. 64.327 was not received from our parent ministry as at 30/06/2018.
2. Sale of vaccines- This is market driven therefore if there is less demand from our customers we experienced less sales. Further Kenya experienced drought spells and prolonged election period which does not favour vaccination, leading to less orders of vaccine.
3. Other Income – The institute earned interest of Kshs 16.506 million bank interest from a call account it had opened and placed amounts received in advance from clients.
4. Foreign Exchange Loss – The dollar was weak compared to Kenya shilling therefore the rise in foreign exchange loss. (The rate of change of \$.1 to Kenya shilling was 103.7117 30/06/2017 compared to 101.0500 on 30/06/2017.
5. Employees Costs- The institute recruited additional administration staffs on permanent basis hence the increase spending in compensation to employees.
6. Cost of Production - This cost was low because of the less demand leading to less production thus low production cost.
7. Provision for Bad Debts – The Institute incurred additional towards the end of financial year. There it brought increase of Kes 676 million on the provision of bad debts movement.
8. Repair and maintenance – The equipment are old, and broke down unexpected resulting to unplanned expenditure. The institute with the assistance of the Government is currently replacing the old equipment with new ones and putting control on repairs.
9. Board Expenses – This was less because of the cost cutting measures the Board instituted.
10. General Administrative Expenses -This was less because of the cost cutting measures the institute had put in place.
11. Capital expenditure -The Institute spend less on equipment and machinery due to an appeal by a supplier on supply of equipment and late release of exchequer.

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ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018

4. Summary of significant accounting policies

a) Revenue recognition

- **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.

- **Revenue from exchange transactions**

Rendering of services

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

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

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c) Property, plant and equipment

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

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

d) Financial instruments

Financial assets

Receivables

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

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

Impairment of financial assets

The institute assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one

or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Contingent liabilities

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

g) Nature and purpose of reserves

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

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

h) Changes in accounting policies and estimates

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

i) Employee benefits

Retirement benefit plans

The institute provides retirement benefits for its employees and Directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

risk characteristics and objective evidence of impairment when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Estimates and assumptions

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

• **Key sources of estimation uncertainty**

Impairment of assets

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

Plant and equipment

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Finance Income.		
Interest earned from KCB MOI AVENUE Call Account	12,362	-
Interest earned from KCB Kes account (1107172764)	0	2
Interest earned from KCB KICC Kes account (1109016492)	21	13
Interest earned from KCB KICC USD account(1102301108)	2,239	2,168
Total	<u>14,622</u>	<u>2,183</u>
8. Other Income		
Limuru Farm	1,640	2,969
sundry income	244	1,050
Total	<u>1,884</u>	<u>4,019</u>
9. Employee Costs		
Salaries	31,051	30,000
Pensions & NSSF	4,929	4,628
Medical	16,074	13,132
Recruitment	-	6,147
Training	6,292	1,000
Grand Total Employee Costs	<u>58,346</u>	<u>54,907</u>
10. Depreciation		
	2018	2017
	Kes' 000	Kes' 000
Motor Vehicles	2,060	2,228
Office Equipment	2,443	2,109
Furniture & Fittings	1,752	1,149
Total	<u>6,255</u>	<u>5,486</u>
11. Repairs and Maintenance		
Office equipment	2,371	624
Furniture	-	77
Total	<u>2,371</u>	<u>701</u>
12. Board Expenses		
Sitting and subsistence allowances	12,212	11,566
	2018	2017
	Kes 000	Kes 000
13. General Administration Expenses		
Sales and marketing	3,848	16,371
Printing & stationery	2,438	2,309
Audit fees	580	580
Other professional charges	2,401	5,551

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16. Cash and cash equivalents

	2018	2017
	Kes 000	Kes 000
Bank	696,771	552,161
Cash-on-hand and in transit	151	110
Call on deposit (KCB Bank)	212,362	
Total cash and cash equivalents	<u>909,284</u>	<u>552,271</u>

NB: Bank Figure Breakdown

KCB Account No. 1109016492 Kshs	1,055,404.06	1,042,766.66
KCB Account No 1102301108 Kshs.(Foreign		
Exchange Account for inputs purchase)	356,243,700.09	337,036,555.70
Call on deposit (KCB Bank)	212,361,643.80	-
KCB Account No.1107172764 Kshs	339,471,898.18	214,082,062.53
Total	<u>909,132,646.13</u>	<u>552,161,384.89</u>

17. Receivables

	2018	2017
	KShs 000	KShs 000
Current receivables(Exchange transactions)		
Ministry of Livestock	105	105
MTK Uganda	109,968	51,813
Ministry of Agriculture Rwanda	26,029	26,029
Others	56,057	46,604
Total current receivables	<u>192,159</u>	<u>124,551</u>

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20. Property, Plant and Equipment

	Land	Buildings	Plant & Machinery	Office Equipment	Furniture & Equipment	Motor Vehicles	Totals
Cost	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
As at 30 June 2017	343,000	188,303	383,419	16,870	9,194	27,003	967,789
Additions	-	13,007	21,980	2,671	4,822.00	-	42,480
Disposals	-	-	-	-	-	-	-
As at 30 June 2018	343,000	201,310	405,399	19,542	14,016	27,003	1,010,260
Depreciation and impairment							
As at 30 June 2017	Nil	26,896	261,747	7,982	6,006	20,760	323,391
Depreciation	Nil	4,026	50,675	2,443	1,752	6,243	65,139
Disposals	Nil	-	-	-	-	-	-
As at 30 June 2018	-	30,922	312,422	10,425	7,758	27,003	388,530
Net book values							
As at 30 June 2018	343,000	170,388	92,977	9,118	6,258	-	621,739
As At 30 June 2017	343,000	161,407	121,672	8,888	3,188	6,243	644,398

Note

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

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

and 2.023 hectares or thereabout respectively

ii) ELC Civil Suit No. 1015 of 2016 Bangu Villa estate Management vs KEVEVAPI and Nairobi City County. Trespass and illegal demolition of KEVEVAPI perimeter wall.

iii) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI- Application from plaintiff restraining KEVEVAPI from trespassing on her land within KEVEVAPI 29.5 ha.

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Credit risk

Credit risk is the risk of financial loss to the institute if customers or counterparties to financial instruments fail to meet their contractual obligations. The institute's credit risk is primarily attributable to its receivables and cash and cash equivalents. The company's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors before extending credit. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2018 was:

	Fully performing KShs,000	Past due Kshs,000	Impaired Kshs	Total Ksh,000
GOK grants receivable	-	-	-	-
Trade receivables	25,210	166,949	(1,922)	190,237
Cash and cash equivalents	909,284	-	-	909,284
	<hr/>	<hr/>	<hr/>	<hr/>
Maximum exposure to credit risk	934,494	166,949	(1,922)	1,099,521
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the institute extends credit and also those parties with whom the institute invests. As such, the credit quality assessed extends to the customers, donors and banks of the institute. For financial statement purposes, the investments and balances with banks are limited to the receivable and cash and cash equivalents line items in the statement of financial position. The institute determines credit quality of the banks from past dealings with them and from information readily available from the regulatory authority, the Central Bank of Kenya.

The client base of the institute is diverse and consists mainly of counties and east African countries. For the purpose of determining the credit quality of clients, the institute applies its past experience with them in determining the risk of default they pose.

Receivables

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

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Description	2018 USD	2017 USD	2018 Total in KShs	2017 Total in KShs
Assets	-	-	-	-
Bank and cash balances	3,525,420.09	3,249,744.78	356,243,700.09	337,036,555.70
Receivables	257,585.61	250,974.82	26,029,025.64	26,029,025.64
	3,783,005.7	2,500,719.6	382,272,425.73	263,065,581.34

At 30 June 2017 an increase/decrease of 10% on the US dollar exchange rates would have resulted in an increase/decrease in surplus of Sh. 38,227,242.6 (Shs420,499,668.33 – Shs382,272,425.73).

Capital risk management policies

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

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

24. Related Party Balances

a) Nature of related party relationships

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

The entity is related to

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

b) Related party transactions

	2018 Kshs'000	2017 Kshs'000
Transfers from related parties'	385,673	19,051
Transfers to related parties (MOA, L&F, Deaprt of Livestock)	-	900
	=====	=====

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25. Contingent assets and contingent liabilities

Contingent liabilities	2017-2018	2016-2017
	Kshs	Kshs
HCC ELC No. 454 and 455 of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI	Not Valued	Not Valued
ELC Civil Suit No. 1015 of 2016 Bangu Villa estate Management vs KEVEVAPI and Nairobi City County.	Not Valued	Not Valued
ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI	Not Valued	Not Valued
KVVPI/T/1/2017-18-This tender is in court awaiting determination	80 million	80 million
Total	Not Valued	Not Valued

(Give details)

Note

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

- i) HCC ELC No. 454 and 455 of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout respectively
- ii) ELC Civil Suit No. 1015 of 2016 Bangu Villa estate Management vs KEVEVAPI and Nairobi City County. Land trespass and illegal demolition of KEVEVAPI perimeter wall.
- iii) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI-Application from plaint restraining KEVEVAPI from trespassing on her land within KEVEVAPI 29.5 ha.

Included in Cash and Cash equivalent is an amount of Approximately Kshs. 80 million intended to purchase lot of machinery and equipment for modernizing KEVEVAPI. We have a dispute in court on the award of the tender KVVPI/T/2017-18, and if approved for award by the Court, KEVEVAPI may loose money in buying a machine that does not conform to specifications.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

• **PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

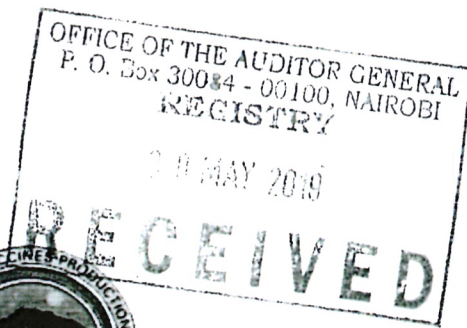
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name & designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2016/1.1 (a,b,c)	Property, Plant and Equipment-Land	<p>-The Land at Kibiko does not exist in our books. An inquiry at the Lands Registrar office in Ngong on 03/08/2017 revealed that we need a title deed to do a search and advised we refer the matter to the Ministry of Lands to establish the LR No. and to whom the land was apportioned.</p> <p>-We have a case in court concerning the illegal allocation of the Institute land awaiting judgment by the court</p> <p>-The land AT Limuru still has a court case. The case started when KEVEVAPI was under KARI and therefore the reason for delayed transfer. As at 30/06/2016, the institute had instructed the legal counsel to initiate transfer process.</p>	Chief Executive Officer(CEO)	Ongoing	Awaiting Court decision.
2016/1.2	Property, Plant and Equipment-	The vehicles in question were given to the Institute for use when the Institute	Chief Executive Officer(CEO)	Ongoing	By end of 2018.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

I. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY
Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Modernize the FMD Laboratory to attain GMP Standards	1.5 Billion	773,273,860	44.2.%	450 Million	385.6725 Million	G.O.K



KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
P. O. Box 53260 - 00200, TEL: 020 3540071/ 0724651895
Email: vaccines@kevevapi.org
NAIROBI

REF: KVI/C/F/4.3 /33

DATE: 30th MAY, 2019

OFFICE OF THE AUDITOR GENERAL,
KENYA NATIONAL AUDIT OFFICE
P.O.BOX 30084-00100
NAIROBI.

Attention: Mr. Dennis T. Kariuki, Director of Audit

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF
KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR END
30 JUNE 2018

We wish to confirm that we received the subject audited financial statement of our institute on 28th May 2019. We take this opportunity to thank you for your observations and recommendations. We shall implement to ensure the smooth running of the Institute.

Yours faithfully,

JW
Dr. Jane W. Wachira
Chief Executive Officer

Received
[Signature]
30/5/2019



REPUBLIC OF KENYA

21

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



02 AUG 2018

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

KEVEVAPI/FS/2017I(7)

The Chief Executive Officer,
Kenya Veterinary Vaccines Production Institute,
P. O. Box 53260 – 00200,
NAIROBI.

PARLIAMENT
OF KENYA
LIBRARY

11 July 2018

Dear Madam,

**REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF
KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR
ENDED 30 JUNE 2017**

Enclosed herewith please find one set of the audited financial statements of Kenya Veterinary Vaccines Production Institute for the year ended 30 June 2017 duly certified and with the seal of the Auditor-General affixed thereon for your use and retention.

Please make arrangements to print the audited financial statements and submit fifty (50) copies to the National Assembly through your parent Ministry for appropriate action in accordance with Article 229(8) of the Constitution of Kenya. Kindly send five (5) copies to this office.

A fee note, No.4791 for Kshs.580,000.00 (including 16% VAT) being audit fees for 2016/2017 financial year is enclosed for your action. Please remit your payment in favour of the Auditor-General, within thirty (30) days from the date of the invoice.

M. N. Gori
For: AUDITOR-GENERAL

Copy to: The Principal Secretary
State Department of Livestock
Ministry of Agriculture and Irrigation
P. O. Box 34188 - 00100
NAIROBI

Accounts
Please pay for this
3/8/18
PV. Ksh. 580,000
repaid
3/8/18



**KENYA VETERINARY VACCINES
PRODUCTION INSTITUTE**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2017

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

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

I. KEY ENTITY INFORMATION AND MANAGEMENT

• **Background information**

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

• **Principal Activities**

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

• **Key Management**

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

• **Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

NO.	DESIGNATION	NAME
1	Chief Executive Officer (CEO)	Dr. Jane Wanjugu Wachira
2	Head of Marketing	Dr. Richard Odek Arina
3	Head of Finance	Mr. Peter Macharia Gitau
4	Head of Procurement	M/S Jael Misoi
5	Head of Human Resources and Administration	Mr. Geoffrey Simwa
6	Head of Production, Kabete	Mr. Nahshon Kinyaka Kyangu
7	Head of Production, Embakasi	Mr. Mathew Itumo Nzioka
8	Head of Quality Control	Mr. Stephen Gitonga Njeu
9	Head of Research and Development	Dr. Benson Kibore
10	Head of Engineering	Mr. Peter Kagera Gitigi

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

- **Independent Auditors**




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

- **Principal Legal Adviser**




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

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




**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

 <p>Mr. Robert M. Mburu Key Qualification-Egerton University BSC. Agriculture education and Extension</p>	<p>Date of Birth: - 22 July 1965</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • Chairman of KEVEVAPI Finance and Administration Board Committee and an independent Director • April 2010 to Date Operations Manager-Gicheha farm. • July 2007 to March 2010 Group Manager in charge of several estates managers at Tropical farm Management. • Mar.2002- Jun. 2007: Operations director in charge of all operations at Robert Flowers. • April 1997- May. 2002: Production Manager at Willam K. Ltd • 1990 to March 1997: Estate Manager at Tropical Farm Management.
 <p>Mr. Abdi Adan Suleiman Key Qualification:- University of Nairobi B.ED (Sc.) Honours</p>	<p>Date of Birth: - 30th June 1953</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • July 2012 appointed KEVEVAPI Board member and an Independent Director. • Mar. 2009- Mar. 2012 Chairman Kenya Meat Commission. • Mar.2005- 30th Jun. 2008: General Manager Universal Postal Union Affairs. • Jul. 2004- Mar. 2005: General Manager/ Regional Coordination (Eight regions) Postal Corporation of Kenya. • Jul. 2003- Jul. 2004: General Manager Nairobi Region – Postal Corporation Of Kenya • Jul. 1999- Jul. 2003: General Manager/Operations - Postal Corporation Of Kenya
 <p>Dr. Lagat Kiprono David Key Qualification: BVM (UON), Diploma in Animal Science (Egerton University)</p>	<p>Date of Birth: 29th December 1959</p> <p>Work Experience: 2015 – To date Appointed KEVEVAPI Independent board member. 2010 to date – Dean Faculty of Animal health –Baraton College 2009- Sub-county Veterinary Officer (SCVO) 2005-Deputy district Veterinary Officer (DDVO). 2000-Veterinary Officer (VO)</p>






**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

 <p>Prof. Lilly Bebor Key Qualification: PHD (veterinary microbiologist, immunologist, specialist in poultry diseases, MSC, BVM)</p>	<p>Date Of Birth: 18 April 1949 Work Experience:</p> <ul style="list-style-type: none"> • 2015 to date -appointed as an Independent KEVEVAPI board member. • Present-Professor (Veterinary Microbiology and Immunology), UoN • May 2002-May 2013-Associate Professor • 16th 12/88-May 2002- Senior Lecturer • 29/11/79-16/12/88-Lecturer • 29/11/79-Assistant Lecturer
 <p>Dr. Kisa Toroitich Key Qualification: MSc (UoN),BVM</p>	<p>Date Of Birth: 15 September 1959 Work Experience:</p> <ul style="list-style-type: none"> • KEVEVAPI Board member (alternate to PS Treasury) • 2011 to date: Kenya Camel Association (KCA) Veterinarian based in Nairobi Hqs/ Assistant Director Veterinary Service (ADVS) in the State Department of Livestock, Ministry of Agriculture, Livestock and Fisheries • 2004 to 2010: District Veterinary Officer / Assistant Director Veterinary Services (ADVS) in West Pokot County • 1991 to 2003: Deputy District Veterinary Officer Trans-Nzoia County/ Veterinary Officer One (VO I) • 1987 to 1990: Veterinary Officer II (VO II) in charge of Saboti division Trans-Nzoia County
 <p>M/S Joan Naigerua Letoyia Key Qualification: Bachelor of Science in Animal Production (Egerton University), Higher Diploma in Human Resource Management(Institute of Human Resource Mgt)</p>	<p>Date of Birth: 09th June 1982 Work Experience:</p> <ul style="list-style-type: none"> • 2015 – To date: Appointed as an independent KEVEVAPI Board. • 2013 to date – Operations Manager Nkapune Ranch/Farmer • 2011-2012-Research Assistant at Vigdis Company • 2008-2010-HR Assistant –Lewa wildlife Conservancy • 2007-2008 Intern Lewa wildlife Conservancy • 2006-Attachee at Nomotio Livestock Improvement Centre

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

 <p>Prof. Lilly Bebora Key Qualification: PHD (veterinary microbiologist, immunologist, specialist in poultry diseases, MSC, BVM)</p>	<p>Date Of Birth: 18 April 1949 Work Experience:</p> <ul style="list-style-type: none"> • 2015 to date -appointed as an Independent KEVEVAPI board member. • Present-Professor (Veterinary Microbiology and Immunology), UoN • May 2002-May 2013-Associate Professor • 16th 12/88-May 2002- Senior Lecturer • 29/11/79-16/12/88-Lecturer • 29/11/79-Assistant Lecturer
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KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

 <p>Mr. Stephen Gitonga Njeu Pursuing MSc. Infectious Dis, Higher Dip. Applied Biology Dip. Applied Biology KACE 1P, 1Sub KCE DIV I</p>	<p>Quality Assurance Manager</p>
 <p>M/S Jael Misoi Bachelor's degree 2nd class upper in Supplies and Procurement, Advanced Diploma (CIPS UK), O' Level</p>	<p>Procurement Officer</p>
 <p>Mr. Peter Kagera Gitigi Final Level Certificate of Apprenticeship(Pipefitter/Welder), EACE DIV III</p>	<p>Engineering Technician II</p>
 <p>Dr. Benson Kibore MSc. (UoN)- Veterinary Surgeon, BVM. KCSE, KCPE</p>	<p>Research and Development Manager</p>
 <p>Mr. Mathew Itumo Nzioka Higher Diploma Applied Biology, Diploma Applied Biology, KCSE, KCPE</p>	<p>Production Manager- Embakasi</p>

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

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

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

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

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

The mandate of KEVEVAPI

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

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

- Mr. Robert M. Mburu- Board Director
- Dr. Kiprono Lagat David- Board Director
- Prof. Philip Nyaga- Board Director
- Mr. Abdi Aden Suleiman, HSC- Board Director
- Dr. Boreya Lekenit- Board Director
- Prof. Lily Bebora- Board Director
- M/S Joan Naigerua Letoyia- Board Director
- Dr. Jane W. Wachira—CEO, KEVEVAPI (*Secretary BOD*)

VACCINES PRODUCED BY KEVEVAPI:

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

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

CONSTRAINTS OF VACCINES PRODUCTION.

Poor State of Plant and Equipment

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant require Kshs 5.6 Billion. For the Financial year 2016/17 budget period, we have requested Kshs. 504.6 Million grant from Government to enable the institute attain GMP/ISO standards which will enable the institute access outside market. We sincerely hope that this will be availed in 2016/2017.

Chief Executive Officer Dr. Jane W. Wachira

Sign

Date 15/02/2018

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

II. MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

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

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

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

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

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

In order to meet emerging demands, the institute has embarked on production of three new products. These are an oil based Foot and Mouth disease vaccine, a thermostable Newcastle disease vaccine and peste Petits des Ruminants (PPR) vaccine. Other approaches include signing of Memoranda of Understanding with relevant sister institutions. This has a two-pronged expectation: for technology exchanges and dual access to each other's products. Production of major vaccines has increased

steadily over time due to increased demand by the County Governments and access to new markets particularly in Uganda, Tanzania, Rwanda, Burundi, UAE, Northern and Southern Sudan. Significant production increases have been for foot and mouth disease, contagious caprine pleuropneumonia, fowl cholera and Newcastle disease.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

**III. MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED
SECTION B**

Entity's compliance with statutory requirements

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

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

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

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

SECTION C

Key projects and investment decisions the entity is planning/implementing

(a) Poor State of Plant and Equipment

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant require Kshs 5.6 Billion. For the budget period, we had requested for Kshs. 504.6 Million to enable the institute attain GMP/ISO standards which will enable the institute access outside market. The Ministry allocated Kshs 28 Million of which Kshs 19.05 Million has been received. We also intend to plough back any Internally generated income to supplement the GOK grants available. We sincerely hope that the government will consider availing more grants in the 2017/18 financial year.

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

III. MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

SECTION D

Major Risks/Assumptions facing the entity

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

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

SECTION E

Material arrears in statutory/financial obligations

Though we expected to generate Pre-tax profits of Ksh. 24.2 million in the financial year 2016/2017, the drought situation became a hindrance to the institute achieving this target resulting to a Kshs.11.1 million profit. We intend to plough back this profit because the current requirement for access to international markets is Good Manufacturing Practices (GMP) certification. The institute has come up with a five year plan to revamp KEVEVAPI and transform it into a modern bio-secure institution for production of high quality vaccines for both domestic and international markets in order to meet the Good Manufacturing Practices (GMP) requirements. The phased project cost will be approximately, Ksh. 1.5 billion, spread over 5 years. We sincerely hope that the government will approve the required grant to enable the institute upgrade to attain GMP standards thereby accessing international markets and avoiding over-reliance on local market.

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the institute's affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2017 are set out on page 1-5.

Directors

The members of the Board of Directors who served during the year are shown on page vi-xii & xvi

Auditors

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

By Order of the Board

Chief Executive Officer

Sign BC

Date 15/05/2018



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Veterinary Vaccines Production Institute set out on pages 1 to 25, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Veterinary Vaccines Production Institute as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the State Corporations Act, Cap 446.

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Land

(a) As previously reported, the Government allocated the Institute 98.3 hectares of land registration L.R. No.209/11969 on which the Institute's headquarters is located. In December 1994, the management applied to the Commissioner of Lands for consent to sub-divide the land into nine (9) separate parcels, without the approval of the Treasury and the Parent Ministry as required by Section 13 (c) of the State Corporations Act (Cap 446). Information available indicates that the irregularly sub-divided parcels were separately disposed to private developers without the approval of the Treasury and the

Report of the Auditor-General on the Financial Statements of Kenya Veterinary Vaccines Production Institute for the year ended 30 June 2017

remained uncollected for more than one year. The provision of Kshs.1,246,000 made against the long outstanding debt appear inadequate as the debt's collectability appear doubtful.

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

Emphasis of Matter

Land under Legal Disputes

I wish to draw attention to Note 20 to the financial statements, which indicates that, included in the value of land of Kshs.343,000,000 under property, plant and equipment are three parcels of land with four civil cases in court as it is alleged that they had been grabbed. Three of the cases HCCC ELC No.454 and 455 both of 2009 and HCCC ELC No.1066 of 2016 involves land measuring 1.87, 2.023 and 0.4047 hectares respectively. While the fourth case HCCC No. 1015 of 2016 involves a passage of 200 meters long.

No provision has been made in these financial statements regarding this material uncertainty as the cases have not been determined and concluded. My opinion is not qualified in respect of this matter.

Key Audit Matters

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

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

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

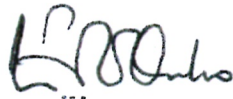
In preparing the financial statements, management is responsible for assessing the Kenya Veterinary Vaccines Production Institute's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the

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 Kenya Veterinary Vaccines Production Institute's to cease to continue to sustain its services.

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

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

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



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

Nairobi

05 June 2018

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

**XIII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2017**

	Note	2016-2017 Kshs 000	2015-2016 Kshs 000
Assets			
Current assets			
Cash and cash equivalents	16	552,271	482,171
Receivables	17	125,122	236,753
Inventories	18	380,336	333,938
Prepayment	19	18,081	16,698
		1,075,810	1,069,560
Non-current assets			
Property, plant and equipment	20	644,398	627,207
		1,720,208	1,696,767
Liabilities			
Current liabilities			
Trade and other payables	21	25,539	33,782
Payments received in advance	22	89,670	88,144
		115,209	121,926
Net assets			
Capital fund		367,249	367,249
Capital grant		387,601	368,550
Revaluation reserve		272,829	272,829
Accumulated surplus		577,320	566,213
Total net assets and liabilities		<u>1,720,208</u>	<u>1,696,767</u>

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

Chief Executive Officer

R.C.

Date 15/05/2018

Board Director

[Signature]

Date 15/5/2018

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

XV. STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Note	2016-2017 Kshs 000	2015-2016 Kshs 000
<u>Cash flows from operating activities</u>			
Profit for the period		11,107	55,048
Add Depreciation		61,702	56,363
Operating Profit	i	72,809	111,411
<u>Working Capital Changes</u>			
Increase in stocks	ii	(46,398)	(75,668)
Decrease in Receivables		111,631	7,521
Increase in Payables		(6,717)	61,116
Decrease in prepayment		(1,383)	8,106
Net cash outflow from operating activities		129,942	209,322
Financing Activities			
GOK Capital Grant	iii	19,051	217,100
Investing Activities			
Purchase of Fixed Assets and net cash used in investing activities	iv	(78,893)	(33,627)
Net decrease in cash & cash equivalents	v	70,100	1,136
Cash & cash equivalents at 01.07.2016	vi	482,171	186,212
Cash & cash equivalents at 30.06.2017	vii	552,271	482,171

Note:

- i. Operating Profit -- represents income generated from operation plus depreciation which does not involve movement of cash.
- ii. Working Capital Changes Represents the release or utilization of funds from operating activities
- iii. GoK Capital grant -- This represents the amount of finances the institute received from the parent Ministry for capital utilization.
- iv. Investing Activities-This is the amount the institute utilized in capital expenditure
- v. This is cash inflow in the year as compared to the previous year. This was as a result the institute aggressive collection of trade debtors.
- vi. This is cash and cash equivalent at the beginning of the Financial year
- vii. This represents cash and cash equivalent as at the end of the financial year.

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of compliance and basis of preparation

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

Accts
Please treat
31/08/16

KEVEVAPI/182/2015/(19)

26 AUG 2016

The Managing Director
Kenya Veterinary Vaccines Production Institute
P. O. Box 53260 - 00200
NAIROBI

19 August 2016

Dear Madam,

**REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF
KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR
ENDED 30 JUNE 2015**

Enclosed herewith please find one set of the audited financial statements of Kenya Veterinary Vaccines Production Institute for the year ended 30 June 2015 duly certified and with the seal of the Auditor-General affixed thereon for your use and retention.

Please make arrangements to print the audited financial statements and submit 50 (fifty) copies to the National Assembly through your parent Ministry for appropriate action in accordance with Article 229(8) of the Constitution of Kenya. Kindly send five (5) copies to this office.

A fee note, No. 4771 for Kshs.580,000.00 (inclusive of 16% VAT), being audit fees for 2014/2015 financial year, is enclosed for your action. Please remit your payment in favour of the Auditor-General within 30 (thirty) days from the date of the invoice.

F. M. Abugah
For: AUDITOR-GENERAL

Copy to. The Principal Secretary
State Department of Livestock
Ministry of Agriculture, Livestock and Fisheries
P. O. Box 34188 - 00100
NAIROBI

(03)

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