

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

**THE NATIONAL ASSEMBLY
PAPERS LAID**

DATE: 23 SEP 2021

DAY:

Thursday

**TABLED
BY:**

L.O.M

**CLERK-AT
THE-TABLE:**

Mairah Wangiku

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**KENYA MEDICAL LABORATORY
TECHNICIANS AND
TECHNOLOGISTS BOARD**

**FOR THE YEAR ENDED
31 JUNE, 2019**



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**KENYA MEDICAL LABORATORY TECHNICIANS AND
TECHNOLOGISTS BOARD**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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



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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Board was established by an act of parliament, Medical Laboratory Technologists and Technicians Act No. 10 of 1999, to amongst other functions to regulate the operations of medical laboratory function in the country.

The first Board was inaugurated in the year 2000.

(b) Principal Activities

The board functions are as enumerated below, and include:

- Regulate the professional conduct of Registered Laboratory Technicians and Technologists.
- Licence and regulate business practices of Technologists and Technicians.
- Approve institutions for Training Technologists.
- Register Technicians and Technologists.

Approve courses of institutions for laboratory technologists and technicians

(c) Key Management

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

- Board Members
- Accounting Officer - Registrar
- Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Registrar	Abdulatif Ali
2.	Executive Officer	Patrick Kisabei
3	Human Resource Officer	Carren Kavere
4.	Finance Officer	Kipkemoi Koech
5.	Procurement Officer	Bramwel Kadenge



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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Entity Headquarters

P.O. Box 20889 - 00202
KNH
ACK Garden House – 4th Floor
Nairobi, KENYA

(f) Entity Contacts

Telephone: (254) 020 273 1391
E-mail: info@kmlttb.org
Website: www.kmlttb.org

(g) Entity Bankers

1. Equity Bank
A/C No. 0170296759439 Community Branch
P.O. Box 8181 – GPO 00100
Nairobi, Kenya
2. National Bank of Kenya
A/C No. 010200581935000 Hospital Branch
P.O. Box 30763
Nairobi
3. National Bank of Kenya
A/C No. 012420581935000 Hospital Branch
P.O. Box 30763
Nairobi
4. Co-operative Bank of Kenya
A/C No. 02120128867800 Upper hill Branch
P.O. Box 19555 - 00202
Nairobi



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(h) Independent Auditors

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

(i) Principal Legal Adviser

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






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BOARD MEMBERS

Below is a tabulation of the Board membership inaugurated on 18/08/2015




S.No	PASSPORT PHOTO	BRIEF PROFILE
1.	 Abel O. Onyango - Chairman	PhD Masters in Medical Laboratory Science – Medical Biochemistry Medical Laboratory Technologist
2.	 Abdulatif Ali – Director Diagnostic Service /Registrar	Masters in Medical Laboratory Science – Infectious Diseases Medical Laboratory Technologist
3.	 Wilson Njeru Kaaria - Member	Higher National Diploma – Medical Laboratory Sciences Medical Laboratory Technologist



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4.	 Benadette Tipiana Nkukuu - Member	Diploma in Medical Laboratory Science Medical Laboratory Technologist
5.	 Dr. Stanley Waithaka Kinge - Member	PhD in Medical Laboratory Sciences Medical Laboratory Technologist
6.	 Everlyne Nyawira Macharia - Member	MSc in Medical Laboratory Science – On going BSc in Medical Laboratory Science Diploma in Medical Laboratory Science Medical Laboratory Technologist





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7.	Mamo Umuro - Member	Masters in Medical Laboratory Science – Infectious Diseases Medical Laboratory Technologist
8.	 Ali Hassan Noor - Member	Diploma in Medical Laboratory Science Medical Laboratory Technologist
9.	 Susan W. Murage - Member	Law Degree – University of Nairobi Diploma in Law – Kenya School of Law State Counsel





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10.		Masters in Medicine – Internal Medicine (MMED) Medical Laboratory Technologist
11.	 Dr. Izaq Odongo - Member	PhDc - Medical Laboratory Science Masters in Medical Laboratory Science – Parasitology Medical Laboratory Technologist
12.	 John O. Nyamuni - Member	Bachelor of Education – Buolding Construction Technology – UoN Master of Education – Education Planning and Administration – UoN MBA – KU PhD in TVET – University of Newcastle Australia

Dr. Meshack Opwora



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MANAGEMENT TEAM

Management Team

The Board's management team comprises of the following members:

1. Abdulatif Ali – Registrar
2. Patrick Kisabei – Executive Officer
3. Carren Kavere Ang'alika - Human Resource Officer
4. Kipkemoi Koech – Finance Officer

S.No	PASSPORT PHOTO	BRIEF PROFILE
1.	 Abdulatif Ali - Registrar	PhDc - Medical Laboratory Science - Parasitology Medical Laboratory Technologist
2.	 Patrick Kisabei – Executive Officer	Masters in Medical Laboratory Science –Clinical Chemistry Medical Laboratory Technologist





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MANAGEMENT TEAM

3.	 <p>Carren K. Ang'alika – Human Resource Officer</p>	MBA (HRM) – KU BA (Sociology) – KU HDip (Counseling Psychology) – KIPC CPA 2
4.	 <p>Kipkemoi Koech – Finance Officer</p>	MBA (Finance)- ongoing Bachelor in Business Administration – Finance CPA 5



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CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE AT KMLTTB

The Kenya Medical Laboratory Technicians and Technologists Board (KMLTTB) is a state health regulatory agency established through Cap 253A to exercise general supervision and control over the training, business, practice and employment of laboratory technicians and technologists in Kenya and to advise the Government in relations to all aspects thereof. KMLTTB also validates diagnostic equipment and reagents used in all medical laboratories of Kenya.

On behalf of the Board of Directors, I am delighted to present the Annual Report and Financial Statements of the Medical Laboratory Technicians & Technologists Board (KMLTTB) for the financial year 2018/2019. The current Board was appointed under a reform platform in August 2015 with a mandate of implementing the Task Force report that was submitted to the Minister of Medical services after dissolution of the previous Board for non-performance.

Despite numerous operational challenges including protracted Court battles against illegal medical laboratories and quacks, KMLTTB through the enormous goodwill and support of leadership at the Ministry of Health managed to achieve average performance targets for the year ended 30th June 2019. As part of routine responsibilities for prudent Corporate Governance the Kenya Medical Laboratory Technicians and Technologists Board (KMLTTB) prepared and submitted timely financial audit reports to the Office of the Auditor General in the year under review. KMLTTB also strengthened its core mandate of regulating invitro diagnostics by publishing the regulations in the Kenya Gazette.

Another remarkable achievement was the establishment of quick books program to support prudent financial management in line with Corporate Governance strategy for accountability with utmost level of integrity. In tandem with the organization's mission strategy, KMLTTB registered significant progress to ensure that members of the Board suspected of corrupt practices including conflict of interest, step down to give room for investigations.

ABEL O. ONYANGO, MSc, PhD,
CHAIRMAN, KMLTTB



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REPORT OF THE CHIEF EXECUTIVE OFFICER

Establishment of KMLTTB

The Kenya Medical Laboratory Technicians and Technologists Board (KMLTTB) is mandated by CAP 253 A Laws of Kenya to exercise general supervision and control over training, business, employment and practice of Medical Laboratory Technicians and Technologists in Kenya. Additional mandate for KMLTTB gazetted through Legal Notice No. 113 deals with Medical Laboratory Equipment and Reagents Validation Regulations. The Board further advises the government in relation to all aspects thereof.

Organization structure of KMLTTB

The Board is composed of the Board members and secretariat. The members are appointed and gazetted by the Cabinet Secretary for Health and are tasked with policy functions while the secretariat implement the policies by undertaking the day to day activities at the Board offices. The Chief Medical Laboratory Technologist in the Ministry of Health is the Registrar and also the secretary to the Board. He is the head of the KMLTTB secretariat and provides a crucial link with the Board. The Registrar is assisted by the executive officer in daily tasks of the secretariat.

Functions of KMLTTB

KMLTTB regulates medical laboratory institutions, professionals and tools of the profession by:

1. Registration of medical laboratory training institutions
2. Registration of students undergoing medical laboratory courses
3. Designing and review of medical laboratory curricula
4. Examination of medical laboratory candidates
5. Registration of medical laboratory professionals
6. Inspection and registration of medical laboratories
7. Validation of medical laboratory reagents, equipment and in-vitro diagnostic devices

The main activities of KMLTTB among those listed above are inspections and examinations.

Inspections.

These are categorized as scheduled and impromptu, they target training institutions approved by KMLTTB, diagnostic/research laboratories and premises that are used for production of medical laboratory reagents as well as equipment.

Scheduled inspections are carried out following invitation by the institutions that intend to engage in medical laboratory activity while impromptu are done to check compliance.

Inspections are done quarterly and reports generated are utilized to address challenges in both KMLTTB and the institutions.



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Examinations.

The indexed students at KMLTTB approved institutions apply for Board examinations for purposes of registrations. They must sit and pass their universities'/colleges' qualifying examinations. The Board administers registration examinations to about 1000 candidates in May and November every year.

Challenges

Just like any other growing organization, KMLTTB has had its fair share of challenges which include:

1. Infrastructural - KMLTTB offices are in rented building
2. Compliance – A number of personnel and facilities have not fully abided by the required regulations by KMLTTB
3. Legal – A number of cases involving errand persons and institutions are affecting the Boards operations

Patrick M. Kisabei
Ag. Executive Officer-KMLTTB



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CORPORATE GOVERNANCE STATEMENT

To ensure effective and efficient service delivery to customers, KMLTTB developed policy guidelines and standard operating procedures for all our business processes.

Among key business processes for which the documents were developed and ready for implementation are:

- Accreditation of training institutions
- Student indexing
- Support supervision for training institutions
- Pre-examination
- Administration of Exams
- Examination process
- Professional registration
- Professional retention
- Medical laboratory registration
- Medical laboratory inspection
- Medical laboratory retention

Together with these and through support from partners and stakeholders, the Board also developed and launched a Continuous Professional Development program as part of career development plan to be linked to annual renewal licenses for medical laboratory personnel in Kenya. As a Health Regulatory State Agency, KMLTTB endeavours to efficiently establish and implement high-end regulatory standards for laboratory infrastructure with embedded focus on safety for both practitioners and patients. In the period under review, we rolled out the first graded National Infrastructural Design for medical laboratory facilities. In the 2018/2019 year, KMLTTB continued to be a secure source of 'value-for-money' regulatory authority by enlisting more vendors/suppliers of diagnostic reagents and equipment. Through stakeholder workshops, elaborate validation procedures and protocols for were established and implemented thereby contributing positively to the Ministry's goal of providing the highest attainable quality healthcare to the citizens especially for diagnostics.



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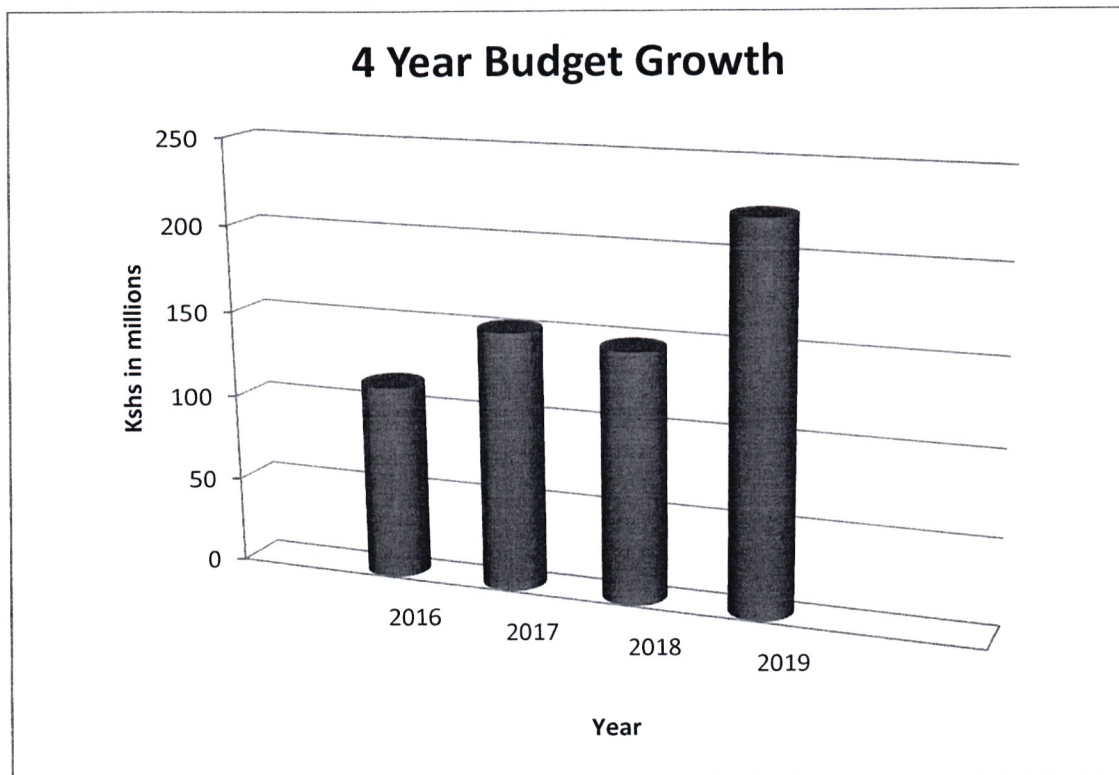
Kenya Medical Laboratory Technicians and Technologists Board
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MANAGEMENT DISCUSSION AND ANALYSIS

Comparison Summary of income and expenditure statement.

Below is a consolidated summary of Income and Expenditure

YEAR	2019	2018	2017	2016
INCOME (Million)	222	145	150	113
EXPENDITURE	<u>213</u>	<u>141</u>	<u>145</u>	<u>107</u>
SURPLUS	9	6	5	6





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CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

During the financial year under review, the Board in collaboration with the parent ministry and its key stakeholder's purposes to initiate the following reforms intended to enhance the Board's strategic position in fulfilling its core mandate of regulating training of medical laboratory professionals to improve competencies for delivery of quality health care system in Kenya. The Board will increasingly but firmly:

- a) Sensitize stakeholders and enforce implementation of CPD policy guidelines
- b) Review/revise of curriculum for Bachelor of Medical Laboratory Sciences
- c) Verify professional qualifications for all lecturers involved in the training of MLS programs;
- d) Develop and cascade an internship model for BMLS graduates;
- e) Initiate partnership with KENTRADE under the Ministry of Finance to list laboratory commodities in the single window system (SWS) to improve efficiency in the online issuance of import permit for vendors of laboratory reagents and equipment;
- f) Roll out of National Standards for laboratory physical infrastructure guidelines to the Counties;
- g) Draft and publish in the Kenya Gazette, the Regulations for conduct Elections of members of AKMLSO to the Board as prescribed under Section 40 of the Act;
- h) Design and procure new generation license and registration certificates for facilities and professional;
- i) Implement Human Resource Policy for grading with staff establishment for existing positions with harmonized terms of employment;
- j) Adopt the Code of Best Practice for Corporate Governance issued by the Centre of Corporate Governance (Kenya) as its benchmark in developing its corporate governance principles.
- k) Identify a consultant to facilitate ISO certification for KMLTTB

With this exciting opportunity and responsibility, I remain optimistic and wish to reaffirm the commitment of the members of the Board to provide effective leadership for the continued efficiency and visibility of Kenya Medical Laboratory Technicians and Technologists Board.



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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The board members are responsible for the preparation and presentation of the Board financial statements, which give a true and fair view of the state of affairs of the board for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the board (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The board members accept responsibility for the board financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the board financial statements give a true and fair view of the state of board transactions during the financial year ended June 30, 2019 and of the board financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the board, which have been relied upon in the preparation of the board's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements.

The Board's financial statements were approved by the Board on 8th July 2019 and signed on its behalf by:

Registrar of the Board:

Name: Abdulatif Ali.

Sign:.....

Date: 10.03.2020.....

Chairman of the Board:

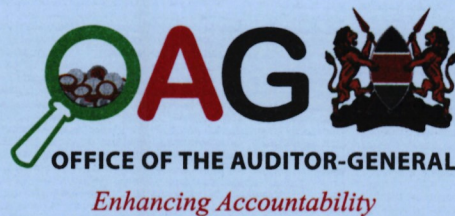
Name: Abel O. Onyango

Sign:.....

Date: 10.03.2020.....

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA MEDICAL LABORATORY TECHNICIANS AND TECHNOLOGISTS BOARD FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Medical Laboratory Technicians and Technologists Board set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the 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 the Kenya Medical Laboratory Technicians and Technologists Board as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Medical Laboratory Technicians and Technologists Act, 1999.

Basis for Qualified Opinion

1.0 Unsupported Remuneration of Directors

As disclosed under Note 8 to the financial statements, the statement of financial performance reflects remuneration of Directors' expenditure of Kshs.1,500,000. The balance includes the Chairman's Honoraria of Kshs.960,000 for the financial year ended 30 June, 2019. It was however noted that the term of the Chairman expired in August, 2018 and the Management did not provide supporting documents such as new appointment or extension of the term.

In the circumstances, the validity of the honoraria payment of Kshs.960,000 for the year ended 30 June, 2019 could not be confirmed.

2.0 Long Outstanding Balances

2.1 Unsupported Receivables from Exchange Transactions

As disclosed under Note 15 to the financial statements, the statement of financial position reflects receivables from exchange transactions of Kshs.21,894,000. The balance, as previously reported, includes an amount of Kshs.12,983,500 due from Kenya Medical Training College (KMTC) in respect of inspection fees which has been outstanding for more than thirteen (13) years and which has not been reflected as a payable in KMTC books of accounts. However, no provision for bad and doubtful debts has been made in the books of accounts in respect of this balance.

Consequently, the validity and full recoverability of receivables from exchange transactions balance of Kshs.21,894,000 as at 30 June, 2019 could not be confirmed.

2.2 Trade and Other Payables from Exchange Transactions

As previously reported, Note 17 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.1,946,419 as at 30 June, 2019 out of which Kshs.1,200,069 relates to the financial year 2012/2013. Management has not given reasons for not settling the long outstanding amount.

Consequently, it has not been possible to confirm that trade and other payables from exchange transactions balance of Kshs.1,946,419 included in the statement of financial position as at 30 June, 2019 is fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Medical Laboratory Technicians and Technologists Board Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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. There were no key audit matters to report in the year under review.

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.222,285,500 and Kshs.176,343,687 respectively resulting to an under-funding of Kshs.45,941,813 or 21% of the budget. Similarly, the

statement reflects final expenditure budget and actual on comparable basis of Kshs.8,500,700 and Kshs.11,938,757 respectively resulting to an over expenditure of Kshs.3,438,057 or 40% of the budget. The Management did not explain the budget variances.

Based on the approved estimates, under funding and over expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2.0 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref. No. PSASB/1/12/(44) of 25 June, 2019.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Non-Compliance with the Medical Laboratory Technicians and Technologists Act, 1999

During the year under review, the Board operated without a Board of Directors. This is in contravention of Section 6 of the Medical Laboratory Technicians and Technologists Act, 1999 which provides for a Board membership of ten (10) individuals whose background is as stipulated in Section 6(1)(a) to (j) of the Act. It is therefore not clear whether the Board was able to realize its core objective of exercising general supervision and control over the training, business, practice and employment of laboratory technicians and technologists in Kenya and to advise the Government in relation to all aspects thereof.

The Board was therefore in breach of the Law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board 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 Board 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

19 August, 2021



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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from exchange transactions			
Rendering of services	6	176,343,687	147,394,958
Other income		-	23,000
Total revenue		176,343,687	147,417,958
Expenses			
Employee costs	7	17,023,624	15,481,137
Remuneration of directors	8	1,500,000	1,909,350
Depreciation and amortization expense	9	690,263	837,254
Repairs and maintenance	10	1,374,866	1,514,706
Operational Expenses	11	112,693,823	93,235,526
General expenses	12	30,670,967	27,679,593
Finance costs	13	451,387	367,019
Total expenses		164,404,930	141,024,585
Other gains/(losses)			
Surplus before tax		11,938,757	6,393,373
		11,938,757	6,393,373



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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	3,586,774	1,826,894
Receivables from exchange transactions	15	21,894,000	13,798,500
		25,480,774	15,625,394
Non-current assets			
Property, plant and equipment	16	3,218,434	3,675,908
Total assets		28,699,208	19,301,302
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	1,946,419	4,487,270
Total Liabilities		1,946,419	4,487,270
Net assets		26,752,789	14,814,032
Accumulated surplus		26,752,789	14,814,032
Total net assets		26,752,789	14,814,032

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board Members by:

Registrar:

Name: Abdulatif Ali

Date: 10.03.2020

Chairman of the Board

Name: Abel Onyango

Date: 10.03.2020



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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Retained earnings	Total
At July 1, 2017	8,420,659	8,420,659
Surplus	6,393,373	6,393,373
At June 30, 2018	14,814,032	14,814,032
At July 1, 2018	14,814,032	14,814,032
Surplus	11,938,757	11,938,757
At June 30, 2019	26,752,789	26,752,789



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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	2018-2019	2017-2018
	Kshs	Kshs
Cash flows from operating activities		
Receipts		
Rendering of services	176,343,687	147,394,958
Other income, rentals and agency fees	-	23,000
Total Receipts	176,343,687	147,417,958
Payments		
Compensation of employees	17,023,624	15,481,137
Finance cost	451,387	-
Rent paid	5,366,417	-
Other payments	140,873,239	124,706,194
Total Payments	163,714,667	140,187,331
Net cash flows from operating activities	12,629,020	7,230,627
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(232,789)	(107,900)
Proceeds from sale of property, plant and		
Net cash flows used in investing activities	(232,789)	(107,900)
Cash flows from financing activities		
Repayment of borrowings	(2,540,851)	662,384
Increase in deposits/Debtors	(8,095,500)	(12,142,500)
Net cash flows used in financing activities	(10,636,351)	(11,480,116)
Net increase/(decrease) in cash and cash equivalents		
	1,759,880	(4,357,389)
Cash and cash equivalents at 1 JULY	1,826,894	6,184,283
Cash and cash equivalents at 30 JUNE	3,586,774	1,826,894



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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs
Rendering of services	222,285,500	222,285,500	176,343,687	45,941,813
Total income	222,285,500	222,285,500	176,343,687	45,941,813
Expenses				
Compensation of employees	26,861,500	26,861,500	17,023,624	(9,837,876)
Rent paid	5,043,644	5,043,644	5,366,417	322,773
Other payments	181,879,656	181,879,656	142,014,889	(39,864,767)
Total expenditure	213,784,800	213,784,800	164,404,930	(49,379,870)
Surplus for the period	8,500,700	8,500,700	11,938,757	3,438,057



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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Board is established by and derives its authority and accountability from Medical Laboratory Technologists and Technicians Act No. 10 of 1999. The Board is wholly owned by the Government of Kenya and is domiciled in Kenya. The Board's principal activity is Regulate the professional conduct of Registered Laboratory Technicians and Technologists

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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



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3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1 st 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 are covered purely under Public Sector combinations as amalgamations.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ADOPTION OF NEW AND REVISED STANDARDS (Continued)

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.



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iii. Early adoption of standards

The Board did not early – adopt any new or amended standards in year 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

1) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for Financial year 2018-2019 was Presented to the Ministry for Health for approval on 12th May 2018 as required by Law. There was no adjustments made during the period .

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

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

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Deferred tax

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

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

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.



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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

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

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

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

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

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

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

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated based on reducing balance.

The 12.5% rate p.a. on furniture and 30% rate p.a. on computers and equipment's are applicable.

Cost includes expenditure that is directly attributable to the acquisition of the items. When significant



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parts of property, plant and equipment are required to be replaced at intervals, the board recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

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



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h) Research and development costs

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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



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Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a 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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- The debtors or an entity of debtors are experiencing significant financial difficulty
- De fault 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)

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.



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i) Inventories

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

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

- 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 Board.

j) Provisions

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

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



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Contingent liabilities

The Board 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Board 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.



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

n) Foreign currency transactions

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

o) Borrowing costs

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

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



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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

The Board analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Board recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

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



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Comparative figures

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

t) 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, 2019.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Board'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.

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 Board based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140



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Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Board.
- 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



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5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. RENDERING OF SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Application fees	1,426,566	1,632,250
Registration fees	4,060,172	4,101,075
Annual Licence fees	33,596,109	29,053,777
Examinations fees	19,626,326	21,613,000
Attachment fees	933,233	1,550,200
Inspections of laboratories	102,488,625	79,840,363
Indexing fees	1,837,196	3,425,650
Inspections of Training Institutions	7,950,000	4,085,700
Validation fees	4,425,460	2,092,943
Other revenue	-	23,000
Total revenue from the rendering of services	176,343,687	147,417,958



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7. EMPLOYEE COSTS

	2018-2019	2017-2018
	KShs	KShs
Net Salaries	10,516,980	9,261,719
N.S.S.F	1,481,974	1,311,718
N.H.I.F	281,600	265,950
Jogoo Sacco	949,102	1,152,520
Mhasibu Sacco	96,000	106,000
P.A.Y.E	2,515,320	2,395,012
H.E.L.B	126,648	148,218
	15,967,624	14,641,137
Interns Allowance	1,056,000	840,000
Total Employee Cost	17,023,624	15,481,137



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. REMUNERATION OF DIRECTORS

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	960,000	960,000
Registrar's emoluments	540,000	540,000
Sitting Allowances	-	409,350
Total director emoluments	1,500,000	1,909,350

9. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	690,263	837,254
Total depreciation and amortization	690,263	837,254

10. REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Vehicles	1,374,866	1,514,706
Total repairs and maintenance	1,374,866	1,514,706

11. OPERATIONAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Examinations expenses	14,059,160	13,897,521
Validations expenses	1,465,580	693,000
Inspections expenses	93,200,083	76,606,005
Regulatory expenses	3,969,000	2,039,000
Total Operational Expenses	112,693,823	93,235,526



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Audit fees	446,000	446,000
Conferences and delegations	164,000	442,200
Local Transport	6,327,000	5,942,770
External Transport	1,636,720	4,253,250
Production of annual Certificates	2,866,800	-
Legal expenses	2,056,000	457,500
Postage	50,730	147,415
Printing and stationery	8,436,503	6,893,014
Rental	5,366,417	5,043,644
Office Expenses	1,182,349	1,496,970
Internet Services	769,193	689,436
Telecommunication	482,299	405,200
Other general expenses	886,956	1,462,094
Total general expenses	30,670,967	27,679,493

13. FINANCE COSTS

Description	2018-2019	2017-2018
	KShs	KShs
Bank Charges	451,387	367,019
Total finance costs	451,387	367,019



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14. CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Current account	3,586,774	1,826,894
Total cash and cash equivalents	3,586,774	1,826,894

15. DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2018-2019	2017-2018
		KShs	KShs
a) Current account			
National Bank	01020058193500	1,592,422	633,923
National Bank – Savings Ac	0124258193500	270	9,940
Equity Bank	0170296759439	1,439,836	373,492
Co-operative Bank	02120128867800	540,971	723,737
Sub- total		3,573,499	1,741,092
b) Others(specify)			
Cash in hand		12,275	13,500
M pesa	927600	1,000	72,302
Sub- total		13,275	85,802
Grand total		3,586,774	1,826,894

16. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Service Receivables	21,894,000	13,798,500
Total receivables	21,894,000	13,798,500



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17. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings	Computers	Total
Cost	Shs	Shs	Shs
At 1 July 2017	6,359,642	6,492,515	12,852,157
Additions	65,900	42,000	107,900
At 30th June 2018	6,425,542	6,534,515	12,960,057
Additions	172,789	60,000	232,789
At 30th June 2019	6,598,331	6,594,515	13,192,846
Depreciation and impairment			
At 1 July 2017	3,473,001	4,973,894	8,446,895
Depreciation	369,068	468,186	837,254
At 30 June 2018	3,842,069	5,442,080	9,284,149
Depreciation	344,533	345,730	690,263
At 30th June 2019	4,186,601	5,787,810	9,974,412
Net Book Values			
At 30 th June 2019	2,411,730	806,705	3,218,434
At 30 th June 2018	2,583,473	1,092,435	3,675,908



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18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	1,500,419	4,041,270
Other payables – Audit fees	446,000	446,000
Total trade and other payables	1,946,419	4,487,270



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. FINANCIAL RISK MANAGEMENT

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

The Board's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Board has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.



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(ii) Liquidity risk management

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

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

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Board's Finance Department is responsible for the development of detailed risk management policies subject to review and approval by Audit and Risk Management Committee and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.



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a) Foreign currency risk (Continued)

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

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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



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Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The board's considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year.

b.) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values

iv) Capital Risk Management

The objective of the board's capital risk management is to safeguard the Board's ability to continue as a going concern.

20. RELATED PARTY BALANCES

Nature of related party relationships

- i) The National Government
- ii) The Health Ministry
- iii) Key management
- iv) Board of directors



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NOTES TO THE FINANCIAL STATEMENTS

21. SEGMENT INFORMATION

The Board operates in Nairobi only. No branches

22. EVENTS AFTER THE REPORTING PERIOD

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

23. ULTIMATE AND HOLDING ENTITY

The Board is Semi- Autonomous Government Agency under the Ministry of Health. Its ultimate parent is the Government of Kenya.

24. CURRENCY

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



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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Receivables from exchange Transactions	The meeting with the KMTC MANAGEMENT WAS INITIATED so that Modalities of how payment would be effected.	CEO – Abdulatif Ali	Partly Paid	June 2020
	Payables from exchange Transactions	The management will pay the liabilities which has been long outstanding	CEO – Abdulatif Ali	Partly Paid	June 2020