

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

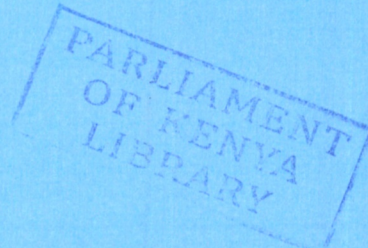
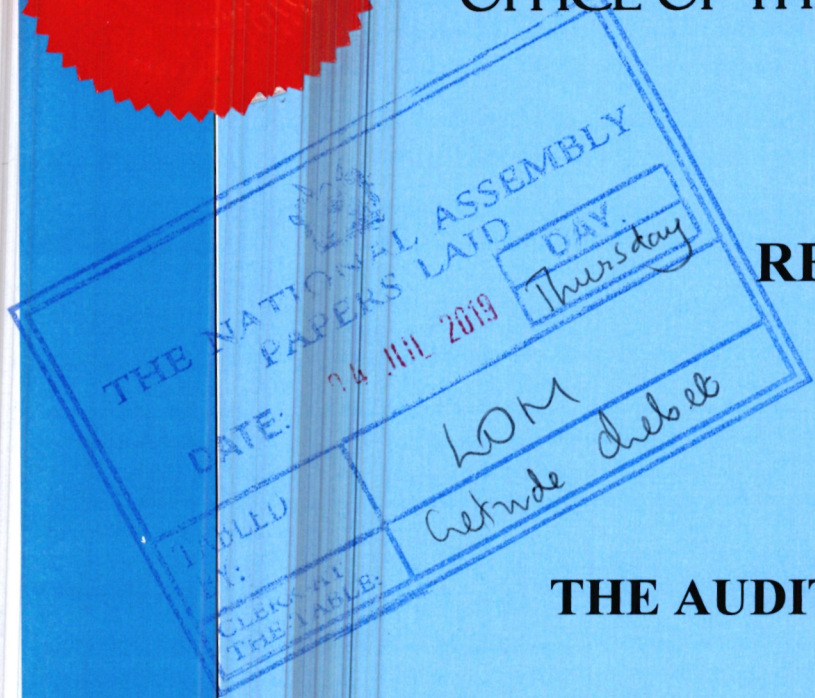
OF

THE AUDITOR-GENERAL

ON

FINANCIAL STATEMENTS OF
PHARMACY AND POISONS BOARD

FOR THE YEAR ENDED
30 JUNE 2018





Pharmacy and Poisons Board



PHARMACY AND POISONS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

Pharmacy and Poisons Board

I.	KEY BOARD INFORMATION AND MANAGEMENT	3
II.	THE BOARD OF DIRECTORS	6
III.	MANAGEMENT TEAM.....	7
IV.	CHAIRMAN'S STATEMENT	8
V.	REPORT OF THE CHIEF EXECUTIVE OFFICER.....	9
VI.	CORPORATE GOVERNANCE STATEMENT	11
VII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	12
VIII.	STATEMENT OF BOARD MEMBERS RESPONSIBILITIES.	13
IX.	REPORT OF THE DIRECTORS	14
X.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	15
XI.	REPORT OF THE INDEPENDENT AUDITORS ON THE BOARD	16
XII.	STATEMENT OF FINANCIAL PERFORMANCE.....	17
XIII.	STATEMENT OF FINANCIAL POSITION.....	18
XIV.	STATEMENT OF CHANGES IN NET ASSETS.....	19
XV.	STATEMENT OF CASH FLOWS.....	20
XVI.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	21
XVII.	NOTES TO THE FINANCIAL STATEMENTS.....	22

I. KEY BOARD INFORMATION AND MANAGEMENT

(a) Background information

The Pharmacy and Poisons Board, was established under Cap. 244, of the Pharmacy and Poisons Act 1957, an act of parliament to make better provision for the control of the profession of pharmacy and the trade in drugs and poisons.

(b) Principal Activities

The principal mission of Pharmacy and Poisons Board is to regulate the practice of Pharmacy and Drugs. This includes:

(i) Registration

- The registrar keeps a register of duly qualified pharmacist and a roll of duly qualified pharmaceutical Technologists.
- Drugs are regulated by a process of registration.

(ii) Drug Information

The department deals with availability of drug information to the general public and is detailed to receive applicants for advertisements and approve the same so as to control flow of information.

(iii) Pharmacovigilance

The department monitors consistency of quality and emerging side effects of drugs already registered.

(iv) Drug Surveillance

The department is involved primarily in batch qualities, efficacy and safety of drugs by collecting from the manufacturer and testing the same through NQCL (National Quality control Laboratory).

(v) Inspection

The department is involved in pre-licence of premises inspection, inspection of outlets for good pharmacy practice, drugs handling etc. It is also involved in manufacturing plant inspection to ensure the GMP is followed.

(vi) Licensing

The department is involved in the issuing of import and export licences and hence regulate the trade in pharmaceuticals. Also licences of premises.

(vii) Training and Assessment

The department is involved in regulation of training of professionals and hence give approval for colleges desiring to train personnel in this area. The department also gives assessment examinations for the purpose of registration of pharmacist and enrolment for pharmaceutical Technologists.

(viii) Legal Department

The department is involved in the legal review of the Pharmacy and Poisons Board Act and any other accommodation of the regulatory/Board including new areas of herbal medicine and alternative medicine; it is also involved in disciplinary cases of professional malpractice.

(c) Key Management

The Pharmacy and Poisons Board day-to-day management is under the following key organs:

- Minister of Health
- Board of Directors
- Registrar
- Directorates

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Registrar	Dr. Fred M. Siyoi
2.	Deputy Registrar (Business Support)	-
3.	Product Evaluation	Dr. Ahmed Mohamed
4.	Inspectorate Surveillance	& Dr. Jacinta Wasike
5.	Quality Control	Dr. Obadiah Naikuni
6.	Pharmacy Practice & Regulation of Training	Dr. Wilfred Ochieng

(e) Fiduciary Oversight Arrangements

- *Human Resources and Finance committee*
- *Practice Committee*
- *Training Committee*
- *EDC Committee*

(f) Board Headquarters

Pharmacy and Poisons Board
P.O. Box 27663-00506
Pharmacy and Poisons Board Building
Lenana Road
Nairobi, KENYA

(g) Board Contacts

Telephone: (254) 3562107
E-mail: info@pharmacyboardkenya.org
Website: www.pharmacyboardkenya.org

(h) Board Bankers

1. National Bank of Kenya
Hill Branch
P.O Box 45219-00100
Nairobi, Kenya

The Cooperative Bank of Kenya
Parliament Road
P.O Box 5772-00200
Nairobi, Kenya

Barclays Bank of Kenya
Bunyala Road
P.O Box 72058-00200
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS

GAZETTE NOTICE VOL. CXIX - NO. 29 Dated (10TH MARCH 2017)

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
1. Dr. Jackson Kioko - Medical Doctor	Director of Medical Services, Ministry of Health
2. Dr. Fred M. Siyoi – Pharmacist	Chief Pharmacist, Ministry of Health
3. Dr. Kisa Juma Ngeiywa – Veterinary Doctor	Director, Veterinary Services
4. Dr. Alfred Rugendo Birichi – Pharmacist	Representative, Public Service
5. Dr. Mary Nthambi Kisingu – Pharmacist	Representative, Community Pharmacy
6. Dr. Rogers Atebe – Pharmacist	Representative, Pharmaceutical Industries
7. Dr. Edith Wakori – Pharmacist	Representative, Private Universities
8. Mr. Abdi Jama – Pharmaceutical Technologist	Representative, Kenya Pharmaceutical Association

III. MANAGEMENT TEAM

Name	Title
1. Dr. Fred M. Siyoi - Pharmacist	Registrar
2.	Deputy Registrar
3. Dr. Ahmed Mohamed – Pharmacist	Director, Product Evaluation
4. Dr. Jacinta Wasike – Pharmacist	Director, Inspectorate & Surveillance
5. Dr. Obadiah Naikuni – Pharmacist	Director, Quality Control –
6. Dr. Wilfred Ochieng – Pharmacist	Director, Pharmacy Practice & Regulation of Training

IV. CHAIRMAN'S STATEMENT

The Board members are required to prepare financial statements, which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of its surplus or deficit of that year. The Board members are required to ensure that the Board maintains proper accounting records which disclose with reasonable accuracy the financial position of the Board.

The Board members accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, consistent with previous years and in conformity with the International Financial Reporting Standards. The members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Board as at 30th June 2018 and its surplus for the year ended.

The members further confirm the accuracy and completeness of the accounting records maintained by the Board, which have been relied upon on the preparation of the financial statements as well as on the adequacy of the systems of internal control.

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Pharmacy and Poisons Board was established as a Regulatory Authority under the Pharmacy and Poisons Act, Cap 244 and commenced operations on 1st May 1957.

It was established as a body corporate under section 3(6) amended of the Pharmacy and Poisons Act 1993 with the responsibility of regulating the practice of Pharmacy and the manufacture and trade in drugs and poisons.

The Pharmacy and Poisons Board has a Board of Directors comprising members drawn from both the public and private sector.

Although the Pharmacy and Poisons Board was established as a body corporate, it has over the years experienced some challenges which have hampered its operations. These include:

- Lack of adequate enabling legal framework;
- Conflicting responsibilities between the Board and other government agencies e.g. National Quality Control Laboratory and Drug Inspection Unit within the Ministry of Health, Kenya Bureau of Standards, Public Health Dept;
- Inadequate autonomy to undertake its functions e.g. although the Board was established as a body corporate in 1993, it still operates as a Department of the Ministry of Health with the Director of Medical Services as the Chairman of the Board of Directors and the Chief Pharmacist as the Registrar of the Board;
- Inadequate staff capacity i.e. all technical staff are seconded from the Ministry of Health and therefore the Board has no control over their deployment to and from the Board;
- Lack of an organizational structure specific to the Board's mandate.

These challenges had been identified by the World Health Organisation (WHO) during a review of the operations of the Pharmacy and Poisons Board, and specific recommendations on how to address them were made.

It was in view of this and other concerns that the Permanent Secretary, Ministry of Health, appointed an Inter-ministerial Task Force to undertake a study of the Board and make appropriate recommendations on the way forward.

The Terms of Reference for the study were:

1. To identify human resource gaps and make recommendations of an optimum resource base;
2. To develop an organizational structure that is responsive to a dynamic and changing regulating environment, which must be in tandem with world class regulation systems;
3. To identify specialized training needs and to define a time-frame for implementation;
4. To develop and prescribe a performance based reward system and remuneration scheme that will attract and retain staff at the Pharmacy and Poisons Board;
5. To make proposals for a competitive staff benefit programme;
6. To develop a Human Resource manual with an in-built code of ethics for staff;

7. To look into the existing law and identify gaps and make appropriate recommendations;
8. To identify appropriate financing mechanism or resource mobilization and develop a finance manual;
9. To look into any other matter that may enhance or increase efficiency of the organisation.

In undertaking the study, the Task Force undertook a literature review of relevant documents, interviewed staff in the premises of the Board and the National Quality Control Laboratory (NQCL) and also appraised the facilities in the two premises. The Task Force also benchmarked with similar organisations in Tanzania, Uganda, Ghana and Australia.

Following the study it has been proposed that the name of the Board remains Pharmacy and Poisons Board. However, a new organisational structure and staffing levels have been proposed which, if implemented, will enable the Board to effectively and efficiently undertake its mandate.

In the proposed restructuring and in conformity with “the Principles of Good Corporate Governance”, the duties and responsibilities of the Board of Directors have been redefined and clearly stipulated to remove the current ambiguities. In addition, it has been proposed that the National Quality Control Laboratory (NQCL) forms part of the Pharmacy and Poisons Board and MOH Drug Inspection Unit functions be transferred to the Board and that the Board develops its own Logo to be used on all its official documents rather than use the one for the Ministry.

The role of the Chief Pharmacist as a policy maker has also been separated from being the Head of the Board which, being a regulator will be headed by a Director General. It is further proposed that the role of regulating Pharmacy practice be removed from the Pharmacy and Poisons Board and a Council be established to undertake it as is the practice elsewhere.

The structure has been reorganised into five (5) Directorates and six (6) independent units as follows:

Directorates

- Product Evaluation and Registration.
- Quality Control Laboratory.
- Pharmacy Practice and Regulation of Training.
- Inspection and Surveillance.
- Business Support Services.

VI. CORPORATE GOVERNANCE STATEMENT

To ensure effective and efficient service delivery to customers, PPB 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, PPB 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 2017/2018 year, PPB 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.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

During the financial year under review, the Board in collaboration with the parent ministry and its key stake holders 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/revision of curriculum for Bachelor of Pharmaceutical Sciences;
- c) Verify professional qualifications for all lecturers involved in the training of MLS programs;
- d) Develop and cascade an internship model for BPS graduates;
- e) Initiate partnership with PPB 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 PPB 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 PPB.

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 Pharmacy and Poisons Board.

VIII. STATEMENT OF BOARD MEMBERS RESPONSIBILITIES.

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, 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 Board; (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.

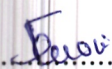
The board members accept responsibility for the board financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by 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, 2018, 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 2018 and signed on its behalf by:

Registrar of the Board:


Name: Fred - M. SMOI

Signature: 

Date: 4/4/19

Chairman of the Board:

Name: Ahmed MOHAMMED

Signature: 

Date: 4/4/2019

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 shown in pages 17 to 37.

Principal activities

The principal activities of the Board are outlined in page 3 (I) (b).

Results

The results of the Board for the year ended June 30, 2018 are set out on page 17.

Directors

The members of the Board of Directors who served during the year are shown on page V (II) In accordance with Pharmacy and Poisons Board Act Cap. 244.

Auditors

The Auditor General is responsible for the statutory audit of the Pharmacy and Poisons Board in accordance with the Section 2 of No. 18 of the Public Finance Management (PFM) Act, 2012.

Yours faithfully,

PHARMACY AND POISONS BOARD



Dr. Fred M. Siyoi
REGISTRAR

Date: 4/4/19.....

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section ... of the Public Finance Management Act, 2012 and section ... of the State Corporations Act, require the Directors to prepare financial statements in respect of the 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 year. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.


The Directors 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, 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 Board; (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 Directors 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 Financial Reporting Standards (IFRS), 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's transactions during the financial year ended June 30, 2018, and of the board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board financial statements as well as the adequacy of the systems of internal financial control.

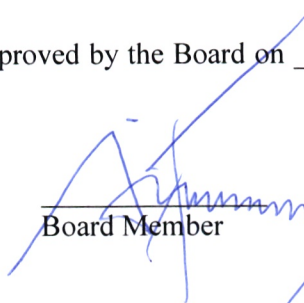
Nothing has come to the attention of the Directors to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

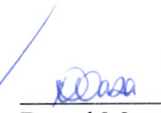
The Board's financial statements were approved by the Board on _____ 2018 and signed on its behalf by:



The Registrar



Board Member



Board Member

REPUBLIC OF KENYA

Telephone: +254-20-342330
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

REPORT OF THE AUDITOR-GENERAL ON PHARMACY AND POISONS BOARD FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Pharmacy and Poisons Board set out on pages 17 to 37, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statements of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Pharmacy and Poisons Board 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 Pharmacy and Poisons Act, Cap 244 of the Laws of Kenya.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

As disclosed at note 11 to the financial statements, cash and cash equivalent balance of Kshs.1,212,550,005 as at 30 June 2018 includes Co-operative bank balance of Kshs.165,005,097 whose reconciliation statement reflects uncredited cheques totalling to Kshs.950,648 for which the clearance status as at 28 February 2019 has not been disclosed. Further, the cash and cash equivalent balance includes Co-operative bank call deposit balance of Kshs.135,618,150 for which the bank confirmation certificate reflects a balance of Kshs.136,711,207 resulting in unreconciled difference of Kshs.1,093,057.

In the circumstances, the validity and accuracy of cash and cash equivalent balance of Kshs.1,212,550,005 as at 30 June 2018 could not be confirmed.

Report of the Auditor-General on the Financial Statements of Pharmacy and Poisons Board for the year ended 30 June 2018

2. Property, Plant and Equipment

As previously reported, the property, plant and equipment balance of Kshs.1,211,031,748 as at 30 June 2018 includes a balance of Kshs.75,000,000 representing the value of land LR No. 209/365/5 on which the headquarters of the Board stands. However, no title documents for the land were availed for audit review.

In the circumstances, it has not been possible to confirm the ownership status of the land and whether the property, plant and equipment balance of Kshs.1,211,031,748 as at 30 June 2018 is fairly stated.

3. Trade and Other Receivables

As previously reported, the trade and other receivables balance of Kshs.33,553,912 included in the statement of financial position as at 30 June 2018, includes trade debtors of Kshs.20,080,487 which have been outstanding for a period of more than one year. Although a specific provision for bad and doubtful debt of Kshs.1,505,065 has been provided for in the financial statements, the provision appear inadequate. Further, no reason has been provided for failure to recover the outstanding debt.

Consequently, it has not been possible to confirm the validity, accuracy, and recoverability of trade and other receivables balance of Kshs.33,553,912 as at 30 June 2018.

4. Legal Fees

Note 8 to the financial statements reflects legal fees of Kshs.18,732,676 for the year ended 30 June 2018. Included in the legal fee expenditure of Kshs.18,732,676 is an amount of Kshs.18,626,976 paid to four (4) law firms. However, the evidence that the Board sought approval and issuance of no objection from the Attorney General's office on engagement of the four (4) private legal firms as required by the Attorney General's Circular reference AG/CON/6/D/144/VOL.II dated 16 April 2014 was not availed for audit review.

In the circumstances, the propriety of legal fee expenditure totalling to Kshs.18,626,976 paid to the four (4) firms could not be confirmed for the year ended 30 June 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am Independent of Pharmacy and Poisons Board in accordance with ISSAIs 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 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. Except for the matter described in the Basis for Qualified Opinion section on my report, 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 described in the Basis for Qualified Opinion 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.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective. The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern / 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 Board or to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

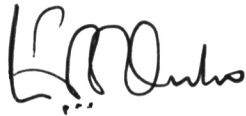
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the 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 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 revenue statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board'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

16 April 2019

I. STATEMENT OF FINANCIAL PERFORMANCE

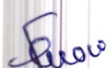
For the year ended 30 June 2018


		2018	2017
		Kshs	Kshs
	Note		
Revenue from exchange transactions			
Rendering of services	3	1,091,189,202	1,093,837,513
Other income	4	<u>40,052,633</u>	<u>62,250,535</u>
Total revenue		<u>1,131,241,835</u>	<u>1,156,088,048</u>
Expenses			
Employee costs	5	79,152,316	61,438,230
Board expenses	6	4,365,370	880,000
Depreciation	13	194,899,722	78,734,420
Repairs and maintenance	7	21,881,005	34,527,598
General expenses	8	492,820,488	370,863,433
Finance costs	9	475,096	589,078
Collection cost	10	<u>235,548,972</u>	<u>260,071,663</u>
Total expenses		<u>1,029,142,969</u>	<u>807,104,422</u>
Surplus before tax		<u>102,098,866</u>	<u>348,983,626</u>
Taxation			
Surplus for the period		<u><u>102,098,866</u></u>	<u><u>348,983,626</u></u>

XIII. STATEMENT OF FINANCIAL POSITION

		2018 Kshs	2017 Kshs
Assets	Note		
Current assets			
Cash and cash equivalents	11	1,212,550,005	1,616,701,869
Trade and Other Receivables	12	33,553,912	23,156,233
		<u>1,246,103,917</u>	<u>1,639,858,102</u>
Non-current assets			
Property, plant and equipment	13	1,211,031,748	714,467,788
		<u>1,211,031,748</u>	<u>714,467,788</u>
Total assets		<u><u>2,457,135,665</u></u>	<u><u>2,354,325,890</u></u>
Liabilities			
Current liabilities			
Trade and other payables	14	26,223,211	25,512,302
		<u>26,223,211</u>	<u>25,512,302</u>
Total liabilities		<u>26,223,211</u>	<u>25,512,302</u>
Net assets		<u><u>2,430,912,454</u></u>	<u><u>2,328,813,588</u></u>
Reserves	15	6,479,649	6,479,649
Accumulated surplus	16	2,424,432,805	2,322,333,939
Total net assets and liabilities		<u><u>2,430,912,454</u></u>	<u><u>2,328,813,588</u></u>

The Financial Statements set out on pages 17 to 37 were signed on behalf of the Board of Directors by:

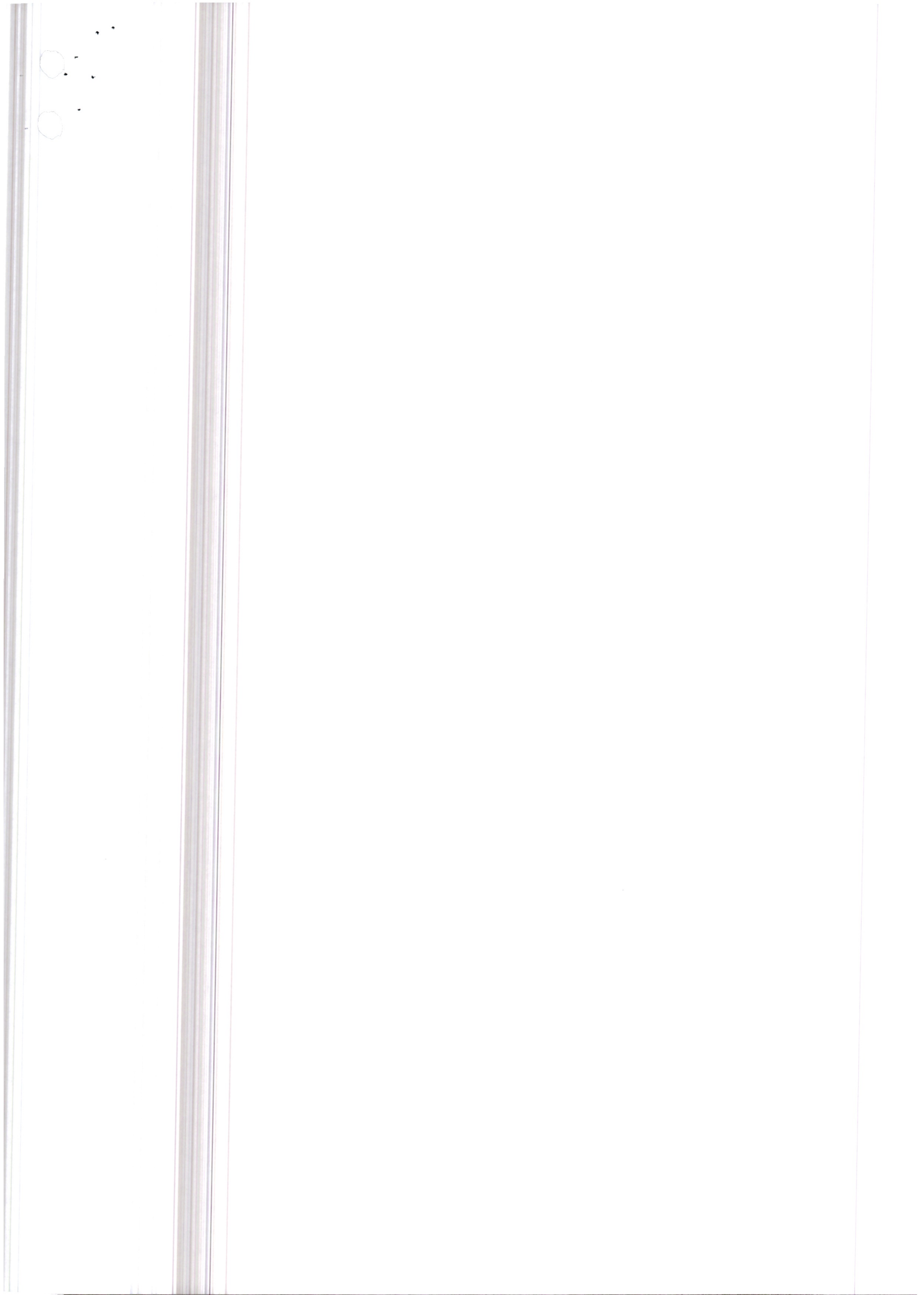
The Registrar 
Date.....4/4/19.....

Chairman of the Board 
Date.....4/4/2019.....

XIV.STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2018

	Reserves Capital Replacement Reserves Kshs	Accumulated Surplus Kshs	Total Kshs
Balance as at 1 July 2016	6,479,649	1,973,350,313	1,979,829,962
Surplus for the period		348,983,626	348,983,626
Balance as at 30 June 2017	6,479,649	2,322,333,939	2,328,813,588
Balance as at 1 July 2017	6,479,649	2,322,333,939	2,328,813,588
Surplus for the period	-	102,098,866	102,098,866
Balance as at 30 June 2018	6,479,649	2,424,432,805	2,430,912,454



XIV. STATEMENT OF CASH FLOWS

Cash flows from operating activities

	2018	2017
	Kshs.	Kshs.
Surplus for the period	102,098,866	348,983,626
Adjustment for Depreciation	194,899,722	78,734,420
Surplus before working capital changes	<u>296,998,588</u>	<u>427,718,046</u>
Changes for Working Capital		
(Increase) / Decrease in Trade Receivable	(10,397,680)	5,906,934
Increase / (Decrease) in Trade Payables	710,909	(6,382,349)
	<u>(9,686,771)</u>	<u>(475,415)</u>
Net Cashflow from Operating activities	<u>287,311,817</u>	<u>427,242,631</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of fixed Assets	(691,463,681)	(340,069,345)
NET CASHFLOW FROM INVESTING ACTIVITIES	<u>(691,463,681)</u>	<u>(340,069,345)</u>
Cashflow from financing activities	-	-
NET CASHFLOW FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENT	<u>(404,151,864)</u>	<u>87,173,286</u>
Cash and Cash Equivalent as at 1st July	1,616,701,869	1,529,528,583
Cash and Cash equivalent as at 30th June	1,212,550,005	1,616,701,869

PHARMACY AND POISONS BOARD
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2018

I. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 30 June 2018

					%
	2017-2018	Final budget	Actual on	Performance	Change
	Kshs	2017-2018	comparable	difference	
Revenue	Kshs	Kshs	basis	2017-2018	
			2017-2018	Kshs	
Rendering of services	1,131,241,835	1,391,500,000	1,131,241,835	260,258,165	19
Total income	1,131,241,835	1,391,500,000	1,131,241,835	260,258,165	
Expenditure					
Compensation of employees	79,152,316	85,000,000	79,152,316	5,847,684	7
Finance cost	475,096	2,500,000	475,096	2,024,904	81
Board Expenses	4,365,370	15,000,000	4,365,370	10,634,630	71
Other payments	945,150,187	1,101,480,000	945,150,187	156,329,813	14
Total expenditure	1,029,142,969	1,203,980,000	1,029,142,969	174,837,031	
Surplus for the period	102,098,866	187,520,000	102,098,866	85,421,134	

1. Income – Under collection was due to prolonged electioneering which affected businesses.
2. Staff Cost – underutilization was due to the board not employing nor promoting staff during the year
3. Finance cost – underutilization of finance cost was due to increase in efficiency in financial management.
4. Board Expenses – underutilization of board member expenses was due to reduced board meetings during the period.
5. Other payments- underutilized due to inability to carry out all activities

XIV. NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. Statement of compliance and basis of preparation – IPSAS 1

The Board 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 Board. 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.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

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 Board 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 Board and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

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 Board.

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 Board right to receive payments is established.

Rental income

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

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Board. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Board 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 – IAS 12

Current income tax

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

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint

ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

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 Board and the same taxation authority.

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or 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 – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is

incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

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

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

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Board 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.

Property plant and equipment is depreciated at reducing balance using the following rates:

- i. Land – Nil
- ii. Buildings – 2.5%
- iii. Office Partitioning – 12.5%
- iv. Motor Vehicles – 25%
- v. Computer Equipment – 30%
- vi. Office Equipment - 12.5%
- vii. Container – 12.5%
- viii. Furniture and Fittings – 12.5%
- ix. Lab for Post Market Surveillance – 12.5%

f) Leases – IPSAS 13

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Board. 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 Board 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 Board 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 Board. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets – IPSAS 31

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

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

i) Research and development costs

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

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

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

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-

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

Impairment of financial assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset or a Board of financial assets is impaired. A financial asset or a Board 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 Board of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

ii) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

IPSAS 29.65

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

i) Inventories – IPSAS 12

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

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

- 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 – IPSAS 19

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.

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.

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. Board to state the reserves maintained and appropriate policies adopted.

l) Changes in accounting policies and estimates – IPSAS 3

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 – IPSAS 25

Retirement benefit plans

The Board provides do not provide retirement benefits for its employees and board members. Defined contribution plans are post employment benefit plans under which an Board pays fixed contributions into a separate Board (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.

Staff Medical Insurance.

Pharmacy and Poisons Board maintains staff medical scheme for its staff and their dependence.

n) Foreign currency transactions – IPSAS 4

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

o) Borrowing costs – IPSAS 5

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

p) Related parties – IPSAS 20

The Board regards a related party as a person or a Board member with the ability to exert control individually or jointly, or to exercise significant influence over the Board, or vice versa. Members of key management are regarded as related parties and comprise the Pharmacists, the Registrar, and technical committee members.

q) Service concession arrangements – IPSAS 32

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 Board 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.

s) Comparative figures

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

t) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the 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.

State all judgements, estimates and assumptions made: e.g.

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 Board. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

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

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

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

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

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

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

u) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

3. Rendering of services

	2018	2017
	Kshs	Kshs
Professional Licences	48,547,587	35,134,210
Registration of Premises	75,880,010	69,673,032
Wholesale Dealer Licence	16,800,000	14,155,000
Registration of Drug Fees	447,699,365	484,132,166
Pharmaceutical Representative Permit Licence	8,525,000	8,010,000
Registration of Pharmacist Fees	665,000	645,500
Manufacturing Licence	4,885,010	2,805,000
GMP Inspection	147,724,005	156,264,146
Trade Affairs Income	<u>340,463,225</u>	<u>323,018,459</u>
Total revenue from the rendering of services	<u>1,091,189,202</u>	<u>1,093,837,513</u>

PHARMACY AND POISONS BOARD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2018

4. Other income	2018 Kshs	2017 Kshs
Advertising Fees	4,047,285	1,891,000
Exam Assessment and Training	14,906,913	19,449,661
Tenders	99,913	-
Miscellaneous Income	491,999	841,092
Donations	10,714,180	16,759,141
Other Incomes	320,001	12,196,606
Interest Income	9,472,342	11,113,035
Total other income	40,052,633	62,250,535
5. Employee costs	2018 Kshs	2017 Kshs
Employee related costs - salaries and wages	79,152,316	61,438,230
Total Employee costs	79,152,316	61,438,230
6. Board expenses	2018 Kshs	2017 Kshs
Sitting	3,140,000	320,000
Lunches	10,000	-
CEO Salary	240,000	240,000
Transport	15,370	-
Honoraria	960,000	320,000
Total	4,365,370	880,000
7. Repairs and Maintenance	2018 Kshs	2017 Kshs
Buildings	16,285,360	25,697,831
Office Furniture & Equipment	5,595,645	8,829,767
Total Repairs and Maintenance	21,881,005	34,527,598

PHARMACY AND POISONS BOARD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2018

13. Depreciation and amortization expense

	2018	2017
	Kshs	Kshs
Property, plant and equipment	194,899,722	78,734,420
Total depreciation and amortization	194,899,722	78,734,420

8. General expenses

The following are included in general expenses:

	2018	2017
	Kshs	Kshs
Travelling and accommodation	130,694,032	132,982,526
Printing and stationery	20,936,037	19,774,785
Motor vehicle expenses	19,595,804	15,392,008
Telephone and postage	10,797,733	8,775,207
Security	4,732,500	3,682,292
Training, seminars & conferences	52,787,648	42,591,245
Medical Insurance	20,310,270	24,877,044
Insurance	4,323,665	1,797,446
Advertising and publicity	32,589,840	46,139,172
Electricity & water	8,277,023	2,459,511
Audit fee	290,000	290,000
Legal fee	18,732,676	12,946,619
Official entertainment	6,576,824	9,318,071
Donations	1,478,949	5,613,664
IT Expenses	77,291,713	15,145,763
Rent & rates	5,779,020	4,908,263
Office cleaning	7,304,530	4,781,425
Uniform	4,339,500	720,000
Reference Materials	27,255,300	1,317,180
Consultancy	38,727,424	17,351,212
Total general expenses	492,820,488	370,863,433

9. Finance costs

	2018	2017
	Kshs	Kshs
Bank charges	475,096	589,078
Total finance costs	475,096	589,078

10. Operating expenses/collection costs

	2018	2017
	Kshs	Kshs
Drug analysis	17,308,912	19,941,822
Drug crime investigation	20,854,831	27,077,257
Exam assessment & training	45,462,775	28,695,234
GMP(Good Manufacturer Practice)	77,541,570	104,865,589
Market Surveillance	74,380,884	79,491,762
Total	235,548,972	260,071,663

PHARMACY AND POISONS BOARD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2018

11. Cash and cash equivalent

	2018	2017
	Kshs	Kshs
Cooperative bank Kshs	165,005,097	167,769,969
Barclays Bank Kshs	230,018,638	59,777,276
National bank Kshs	254,520,379	150,138,300
Barclays bank USD	427,387,741	1,112,870,515
Cooperative bank call deposit	135,618,150	126,145,809
Total	<u>1,212,550,005</u>	<u>1,616,701,869</u>

12. Trade and other receivables

	2018	2017
	Kshs	Kshs
Rent deposit	393,319	393,319
Prepayments	4,187,490	4,187,490
Trade debtors	30,478,168	20,080,489
Provision for bad and doubtful debts	(1,505,065)	(1,505,065)
Total	<u>33,553,912</u>	<u>23,156,233</u>

**PHARMACY AND POISONS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2018**

13 PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Office Partioning	Motor Vehicles	Computer Equipment	Office Equip	Container	Furniture and Fittings	Lab for Post Market Surve	Regional Offices	Car Park	TOTAL
	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)
COST												
Rate(%)	Nil	2.50%	12.50%	25%	30%	12.50%	12.50%	12.50%	12.50%	2.50%	12.50%	
As at 01.07.2016	75,000,000	332,806,430	1,212,051	107,675,344	47,436,128	3,309,404	490,000	21,721,367	-	-	-	589,650,724
Additions	-	-	60,617,953	15,029,581	69,365,487	81,927,009	-	43,613,775	69,515,540	-	-	340,069,345
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Cost as at 30.06.2017	75,000,000	332,806,430	61,830,004	122,704,925	116,801,615	85,236,413	490,000	65,335,142	69,515,540	-	-	929,720,069
DEPRECIATION												
As at 01.07.2016	-	15,190,580	501,567	66,217,719	38,745,453	1,191,497	297,579	14,373,463	-	-	-	136,517,861
Charge for the year	-	7,940,396	7,666,054	14,121,801	23,416,848	10,505,614	24,053	6,370,210	8,689,443	-	-	78,734,420
Acc dep as at 30.06.2017	-	23,130,977	8,167,621	80,339,520	62,162,301	11,697,112	321,632	20,743,673	8,689,443	-	-	215,252,281
NBV As at 30.06.2017	75,000,000	309,675,453	53,662,383	42,365,405	54,639,314	73,539,301	168,368	44,591,469	60,826,097	-	-	714,467,788
NBV As at 30.06.2016	75,000,000	317,615,850	710,484	41,457,625	8,690,675	2,117,907	192,421	7,347,904	-	-	-	453,132,863
COST												
As at 01.07.2017	75,000,000	332,806,430	61,830,004	122,704,925	116,801,615	85,236,413	490,000	65,335,142	69,515,540	-	-	929,720,069
Additions	-	-	64,848,748	12,228,298	211,520,571	74,706,163	-	14,195,164	225,794,787	23,888,590	15,781,361	642,963,681
Transfer	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
As at 30.06.2018	75,000,000	332,806,430	126,678,752	134,933,223	328,322,186	159,942,576	490,000	79,530,306	295,310,327	23,888,590	15,781,361	1,572,683,750
DEPRECIATION												
As at 01.07.2017	-	23,130,977	8,167,621	80,339,520	62,162,303	11,697,110	321,632	20,743,673	8,689,443	-	-	215,252,281
Charge for the year	-	7,741,886	14,813,891	13,648,426	79,847,965	18,530,683	21,046	7,348,329	35,827,610	597,215	1,972,670	180,349,722
Acc dep as at 30.06.2018	-	30,872,863	22,981,513	93,987,946	142,010,268	30,227,793	342,678	28,092,002	44,517,054	597,215	1,972,670	395,602,003
NBV as at 30.06.2018	75,000,000	301,933,567	103,697,239	40,945,277	186,311,918	129,714,783	147,322	51,438,304	250,793,273	23,291,375	13,808,691	1,177,081,747
As at 30.06.2017	75,000,000	309,675,453	53,662,383	42,365,405	54,639,312	73,539,303	168,368	44,591,469	60,826,097	-	-	714,467,788

14. Trade and other payables

	2018	2017
	Kshs	Kshs
Trade Payables	24,400,371	23,197,147
Other Payables	1,822,840	2,315,155
	<u>26,223,211</u>	<u>25,512,302</u>

15. Revaluation Reserve

	2018	2017
	Kshs	Kshs
Revaluation of Assets	6,479,649	6,479,649
Total	<u>6,479,649</u>	<u>6,479,649</u>

16. Accumulated Reserve

	2018	2017
	Kshs	Kshs
As at 1st July 2017	2,322,333,939	1,973,350,313
Surplus for the Period	102,098,866	348,983,626
As at 30th June 2018	<u>2,424,432,805</u>	<u>2,322,333,939</u>

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference	Issue/Observations from Auditor	Management Comments	Status
1.0	Property, Plant and Equipment Lack of title deeds for LR NO. 209/365/5	Follow up is being made with the Ministry of Lands so as to secure the title	Outstanding
2.0	Trade and Other Receivables – Long outstanding debts	We are still following up on the recoveries	Outstanding

