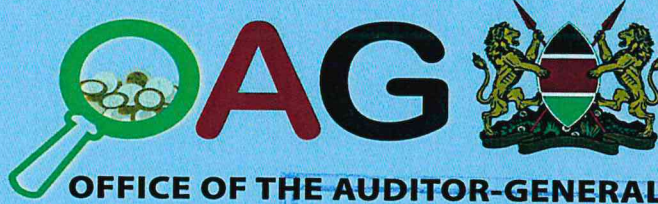


REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY

DATE: 01 MAR 2022

DAY:  
TUE

TABLED  
BY:

LOM

**REPORT**

THE TABLE:

G. Chebet

OF

THE AUDITOR-GENERAL

ON

KENYA MEDICAL RESEARCH INSTITUTE

FOR THE YEAR ENDED  
30 JUNE, 2020







OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

22 APR 2021

RECEIVED



---

**KENYA MEDICAL RESEARCH INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

---

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



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

Table of Contents

Page

|   |        |
|---|--------|
| 1. KEY ENTITY INFORMATION AND MANAGEMENT .....  | ii     |
| KEY ENTITY INFORMATION AND MANAGEMENT (Continued) .....   | vi     |
| 2. BOARD OF DIRECTORS .....   | viii   |
| 3. MANAGEMENT TEAM .....  | xvi    |
| 4. CHAIRMAN'S STATEMENT .....   | xx     |
| 5. REPORT OF THE CHIEF EXECUTIVE OFFICER .....  | xxi    |
| 6. REVIEW OF XX KENYA REGULATORY & NON – COMMERCIAL ENTERPRISE 'S<br>PERFORMANCE FOR FY 2019/2020 ..... | xxiii  |
| 7. CORPORATE GOVERNANCE STATEMENT .....   | xxvi   |
| 8. MANAGEMENT DISCUSSION AND ANALYSIS .....   | xxviii |
| 9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY .....                                       | xxx    |
| REPORTING .....   | xxx    |
| 10. REPORT OF THE DIRECTORS .....   | xxxi   |
| 11. STATEMENT OF DIRECTORS' RESPONSIBILITIES .....  | xxxii  |
| 12. REPORT OF THE INDEPENDENT AUDITORS ON KEMRI .....   | xxxiii |
| 13. STATEMENT OF FINANCIAL PERFORMANCE .....  | 1      |
| 14. STATEMENT OF FINANCIAL POSITION .....   | 2      |
| 15. STATEMENT OF CHANGES IN NET ASSETS .....  | 3      |
| 16. STATEMENT OF CASH FLOWS .....   | 4      |
| FOR THE YEAR ENDED 30 JUNE 2020 .....   | 4      |
| 17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR<br>ENDED 30 JUNE 2020 .....       | 6      |
| 18. NOTES TO THE FINANCIAL STATEMENTS .....   | 7      |
| 19. APPENDICES .....  | 28     |
| APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....                                      | 28     |
| APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY .....   | 46     |
| APPENDIX III: INTER-ENTITY TRANSFERS .....  | 46     |



## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

Kenya Medical Research Institute (KEMRI) is a State Corporation established under the Science and Technology Act of 1979, and accredited under Science, Technology and Innovation Act 2013. The 1979 Act established KEMRI as a National body responsible for carrying out health research in Kenya.

### **(b) Principal Activities**

#### **Vision**

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

#### **Mission**

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

#### **Institute's Motto:**

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

#### **Core Values**

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

#### **Mandate**

- To carry out research in human health.
- To cooperate with other research organizations and institutions of higher learning on matters of relevant research and training.
- To liaise with other relevant bodies within and outside Kenya carrying out research and related activities.
- To disseminate and translate research findings for evidence-based policy formulation and implementation.



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

- To cooperate with the Ministry of Health, the National Commission for Science, Technology & Innovation (NACOSTI) and the Medical Sciences Advisory Research Committee on matters pertaining to research policies and priorities.
- To do all things as appear to be necessary, desirable or expedient to carry out its functions.

**(c) Key Management**

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

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

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

| <b>S/No.</b> | <b>Designation</b>  | <b>Name</b>           |
|--------------|---|-----------------------|
| 1.           | Director General  | Prof. Yeri Kombe      |
| 2.           | Director, Research & Development  | Prof. Samuel Kariuki  |
| 3.           | Director , Corporate Services   | Mr. Kamau Mugenda     |
| 4.           | Director, Research Capacity Building  | Prof. Elijah Songok   |
| 5.           | Deputy Director, Scientific Programmes & Partnerships                               | Dr. Lubano Kizito     |
| 6.           | Deputy Director, Grants Management  | Dr. Evans Amukoye     |
| 7.           | Deputy Director, Finance & Accounts   | Mr. Anthony Wachira   |
| 8.           | Deputy Director, Human Resource   | Mr. Daniel Saruni     |
| 9.           | Deputy Director, Administration   | Mr. John Musau        |
| 10.          | Ag. Corporation Secretary   | Ms. Margaret Rigoro   |
| 11.          | Deputy Director, Centre for Biotechnology Research & Development                    | Dr. Luna Kamau        |
| 12.          | Deputy Director, Centre for Microbiology Research                                   | Dr. Willy Sang        |
| 13.          | Deputy Director, Centre for Traditional Medicine and Drug Research                  | Dr. Peter Mwitari     |
| 14.          | Deputy Director Centre for Global Health Research - Kisumu                          | Dr. Stephen Munga     |
| 15.          | Deputy Director, Centre for Infectious & Parasitic Diseases Control Research        | Prof. Matilu Mwau     |
| 16.          | Deputy Director, Centre for Geographical Medicine Research – Coast                  | Dr. Benjamin Tsofa    |
| 17.          | Deputy Director Eastern & Southern Africa Centre for International Parasite Control | Dr. Doris Njomo       |
| 18.          | Deputy Director Centre for Clinical Research  | Dr. Veronicah Manduku |
| 19.          | Deputy Director Centre for Viral Research   | Dr. Joel Lutomiah     |
| 20.          | Deputy Director, Centre for Public Health Research                                  | Dr. Zipporah Bukania  |
| 21.          | Deputy Director Centre for Respiratory Diseases Research                            | Dr. Videlis Nduba     |

**(e) Fiduciary Oversight Arrangements**

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

1. Audit Committee

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

2. Human Resource Committee

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

3. Finance and Development Committee

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

4. Scientific Research and Innovation Committee

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



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

**(f) Entity Headquarters**

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

**(g) Entity Contacts**

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

**(h) Entity Bankers**

1. Kenya Commercial Bank  
Kipande House Branch  
Nairobi
2. Cooperative Bank Limited  
China Centre Ngong Road Branch  
Nairobi
3. Family Bank  
Kilimani Branch  
Nairobi

**(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

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**



---


## 2. BOARD OF DIRECTORS

|  |   |
|--|---|
| <p>1. </p> | <p>Dr. Naphtali N. Agata</p> <p>Chairperson</p> <p><b>Date of birth;</b></p> <p>22/02/1944</p> <p><b>Key Qualifications;</b></p> <ul style="list-style-type: none"> <li>• Master of Public Health</li> <li>• Bachelor of Medicine and</li> <li>• Bachelor of Surgery</li> </ul> <p><b>Work experience;</b></p> <p><b><u>Current Employer</u></b></p> <ul style="list-style-type: none"> <li>• Consultant in Public Health and Health Services Management</li> </ul> <p><b><u>Previous experience- among others</u></b></p> <ul style="list-style-type: none"> <li>• Honorary Lecturer, School of Public Health- University of Nairobi</li> <li>• Health Sector Consultant, JICA Kenya Office</li> <li>• Consultant to IntraHealth</li> <li>• Consultant to AMREF</li> <li>• UNICEF Consultant and Lead Facilitator</li> <li>• Medical Officer with WHO</li> <li>• Senior Deputy Director Medical Services</li> <li>• Director, Kenyatta National Teaching Hospital</li> <li>• Principal Kenya Medical Training College</li> <li>• Medical Superintendent, Provincial Hospital, Nakuru.</li> </ul> |
|--|---|




**Kenya Medical Research Institute  
Annual Reports and Financial Statements  
For the year ended June 30, 2020**

|   |  |
|---|--|
|   | <ul style="list-style-type: none"> <li>District Medical Officer of Health, Nakuru and Kisii Districts</li> </ul>   |
| <p>2.</p>  | <p>Prof. Yeri Kombe</p> <p>Director General /CEO</p> <p><b>Date of Birth;</b></p> <p>1954</p> <p><b>Key qualifications;</b></p> <ul style="list-style-type: none"> <li>PhD</li> <li>Master in Public Health</li> <li>Medical Doctor</li> </ul> <p><b>Work experience:</b></p> <p><b><u>Previous experience- among others</u></b></p> <ul style="list-style-type: none"> <li>Public Health -KEMRI</li> <li>Teaching experience in University of Nairobi faculty of medicine, Aga Khan University Hospital, Jomo Kenyatta University of Director of Center for Agriculture and Technology.</li> <li>Medical Officer Ministry of Health Kenya in Kitui District Hospital, Machakos General Hospital</li> <li>Kenya National Micronutrient Survey</li> </ul> |
| <p>3.</p>  | <p>Prof. Peter Ngure,</p> <p>Independent Board Member,</p> <p>Chairperson, Human Resource Committee</p> <p><b>Date of Birth;</b></p>   |



|   |  |
|---|--|
|   | <p>10/04/1966</p> <p><b>Key Qualifications;</b></p> <ul style="list-style-type: none"> <li>• Doctor of Philosophy in Parasitology and Entomology</li> <li>• Master of Philosophy in Parasitology</li> <li>• Bachelor of Education (Botany and Zoology)</li> <li>• Work experience;</li> </ul> <p><b><u>Current Employer</u></b></p> <p>Deputy Vice Chancellor (Academic) – St. Paul’s University</p> <p><b><u>Previous experience among others</u></b></p> <ul style="list-style-type: none"> <li>• Senior Lecturer- Technical University of Kenya</li> <li>• Programme Manager- CARTA</li> <li>• External Examiner – Department of Biological Sciences, University of Eldoret</li> <li>• Lecturer in Applied biology- Kenya Methodist University</li> </ul> |
| <p>4.</p>  | <p>Dr. Naomi Mutea</p> <p>Independent Board Member</p> <p>Chairperson, Scientific and Research Committee</p> <p><b>Date of Birth;</b></p> <p>04/03/1957</p> <p><b>Key qualifications;</b></p> <ul style="list-style-type: none"> <li>• Doctor of Nursing Practice</li> <li>• Master of Science in Nursing</li> <li>• Bachelor of Science in Nursing</li> </ul> <p><b>Work Experience;</b></p>  |

**Kenya Medical Research Institute  
Annual Reports and Financial Statements  
For the year ended June 30, 2020**



|   |   |
|---|---|
|   | <p><b><u>Current Employer</u></b></p> <p>Meru University- Lecturer School of Nursing</p> <p><b><u>Previous experience among others</u></b></p> <ul style="list-style-type: none"> <li>• Dean School of Nursing- Embu University</li> <li>• Senior Lecturer- Dedan Kimathi University</li> <li>• Visiting Scholar – Indiana University School of Nursing</li> <li>• Coordinator of the Privately Sponsored Students Program (PSSP) Moi University School of Medicine</li> <li>• Lecturer- Moi University School of Nursing</li> </ul>  |
| <p>5.</p>  | <p>Dr. Eric Ogwora</p> <p>Independent Board Member,<br/>Chairperson, Finance and Development Committee</p> <p><b>Date of Birth</b></p> <p>17/05/1976</p> <p><b>Key Qualifications</b></p> <ul style="list-style-type: none"> <li>• Doctor of Philosophy, Catholic University of Eastern Africa (CUEA) 2009-2012</li> <li>• Masters in Philosophy Catholic University of Eastern Africa (CUEA) 2004-2006</li> <li>• Degree in Philosophy and Religious Studies, Urbarnian University</li> </ul> <p><b>Work Experience;</b></p> <p><b><u>Current Employer</u></b></p> <p>Kisii University – Senior Lecturer</p> <p>Professional Mediator</p> <p><b><u>Previous experience among others</u></b></p> <ul style="list-style-type: none"> <li>• Dean Faculty of Arts and Social Sciences</li> </ul> |





**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>Assistant Lecturer – Catholic University of Eastern Africa, Marist International</li> </ul>  |
| <p>6.</p>    | <p>Dr. Fatma M. Haji</p> <p>Independent Board Member,<br/>Chairperson, Audit Committee</p> <p><b>Date of Birth;</b></p> <p>1977</p> <p><b>Key Qualifications</b></p> <ul style="list-style-type: none"> <li>Doctor of Medicine (M.D) Degree, Lodz University of Polish Language and Arts, Wroclaw, IM Piastow Slakich Medical University, Poland, 1997 – 2007</li> </ul> <p><b>Work Experiences</b></p> <ul style="list-style-type: none"> <li>Private practice 2018- Date</li> <li>Kwale County Director Rehabilitation Programmes &amp; Services, 2016-2017.</li> <li>Medical Superintendent Msambweni County Referral Hospital, 2014-2016</li> <li>Sub County Medical Officer of Health, Msambweni/Lungalunga Sub Counties, 2014-2016 District Medical Officer of Health, Kwale District, 2010-2013</li> <li>Medical Officer (M.O) Intern, Narok District Hospital, 2009-2010</li> </ul> |
| <p>7.</p>  | <p>Amb. Dr. Wenwa Akinyi Odinga</p> <p>Independent Board Member,</p> <p><b>Date of Birth;</b></p> <p>1951</p> <p><b>Key qualifications;</b></p> <ul style="list-style-type: none"> <li>Doctorate degree in Chemistry</li> </ul> <p><b>Work experience;</b></p>  |

**Kenya Medical Research Institute  
Annual Reports and Financial Statements  
For the year ended June 30, 2020**



|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>• Lecturer – University of Nairobi – Department of Chemistry</li> <li>• Senior Chemist – Pyrethrum Board of Kenya</li> <li>• Worked with the commission for higher education</li> </ul>  |
| <p>8.</p>   | <p>Ms. Harriet Gathoni Muiruri</p> <p>Independent Board Member</p> <p><b>Date of Birth;</b></p> <p>02/03/1991</p> <p><b>Key qualifications;</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Science in International Business Administration</li> </ul> <p><b>Work experience:</b></p> <p><b><u>Current Employer</u></b></p> <ul style="list-style-type: none"> <li>• DUAF International Ltd-Human Resource Manager / head of Business Development</li> </ul> <p><b><u>Previous experience</u></b></p> <ul style="list-style-type: none"> <li>• Human Resource Manager – Green Credit Group Ltd</li> <li>• Sales Executive – Lotus Africa Ltd</li> </ul> |
| <p>9.</p>  | <p>Dr. Joseph Mutai</p> <p>Independent Board Member</p> <p><b>Date of B</b></p> <p>1954</p> <p><b>Key qualifications;</b></p> <ul style="list-style-type: none"> <li>• Msc. Tropical Veterinary Science</li> <li>• Bachelor of Veterinary Medicine</li> </ul> <p><b>Work experience:</b></p>  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**


|  |   |
|--|---|
|  | <p><b><u>Current Employer</u></b></p> <ul style="list-style-type: none"> <li>Chairman, Department of Veterinary Clinical Studies- Egerton University</li> </ul> <p><b><u>Previous experience</u></b></p> <ul style="list-style-type: none"> <li>Lecturer Department of Veterinary Pathology, Microbiology and Parasitology</li> <li>Veterinary Investigation Officer – Kericho Ministry of Livestock Development</li> </ul>   |
| <p>10.</p>   | <p><b>Dr. Stephen Krimi Kibiru</b><br/> Rep. DG &amp; CEO NACOSTI</p> <p><b>Year of Birth:</b> 15/02/1957</p> <p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>PhD</li> <li>Masters in Veterinary Medicine</li> <li>Bachelor in Veterinary Medicine</li> </ul> <p><b>Current Employer</b><br/> Director, Research, Accreditation and Quality Assurance National Commission for Science, Technology and Innovation (NACOSTI)</p> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>Acting CEO or Deputy Commission Secretary</li> <li>Chief Science Secretary, Head of Agriculture and Allied Sciences, National Council for Science and Technology (NCST)</li> <li>Supervision of Postgraduate students Egerton University</li> <li>Internal Examiner Postgraduate students Egerton University</li> </ul> |
| <p>11.</p>  | <p>Ms. Kanini Nthiga<br/> Rep. Attorney General's Office</p> <p><b>Year of Birth:</b> 1987</p> <p><b>Current Employer</b><br/> Office of the Attorney General and Department of Justice</p> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>Senior State Counsel</li> </ul>  |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |
|--|--|
| <p>12. </p>   | <p>Mr. Geoffrey Malombe</p> <p>Rep. PS National Treasury</p> <p><b>Date of Birth;</b></p> <p>22/12/1972</p> <p><b>Key qualifications;</b></p> <ul style="list-style-type: none"> <li>• Master's Degree in Business Administration (Finance)</li> <li>• Bachelor of Science</li> <li>• Certified Public Accountant (CPA-K)</li> </ul> <p><b>Work experience;</b></p> <p>National Treasury</p>   |
| <p>13. </p> | <p>Dr. Rebecca Kiptui</p> <p>Rep. PS Ministry of Health</p> <p><b>Key qualifications:</b></p> <ul style="list-style-type: none"> <li>• MSc Public Health</li> <li>• MBCHB</li> <li>• Medical Doctor</li> </ul> <p><b>Date of Birth;</b></p> <p>1971</p> <p><b>Work Experience:</b></p> <p><b><u>Current Employer</u></b></p> <ul style="list-style-type: none"> <li>• Head Universal Coverage Secretariat Ministry of Health</li> <li>• Technical Advisor to PS Health</li> <li>• Senior Deputy Director Medical Services</li> </ul> <p><b><u>Previous experience</u></b></p> <ul style="list-style-type: none"> <li>• Technical Coordinator of the Kenya Malaria Indicator Survey 2015</li> </ul> |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |
|--|--|
|  |  |
| <p>14. </p> | <p>Mr. Martin Machira</p> <p>Corporations Secretary &amp; Director Legal Services, KEMRI.</p> <p><b>Current Employer</b><br/>KEMRI</p> <p><b>Key Qualifications</b></p> <ul style="list-style-type: none"> <li>• LLM International Trade and Investments Law</li> <li>• LLB (Laws) UON</li> <li>• Postgraduate Diploma in Law(KSL)</li> <li>• CPS(K)</li> <li>• CPA</li> <li>• Member Chartered Institute of Arbitrators</li> </ul> <p>Year of Birth: 1979</p> |

**3. MANAGEMENT TEAM**

|   |  |
|---|--|
| <p>1. </p> | <p>Prof. Yeri Kombe<br/>Director General, KEMRI</p>            |
| <p>2. </p> | <p>Prof. Sam Kariuki<br/>Director Research and Development</p> |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**



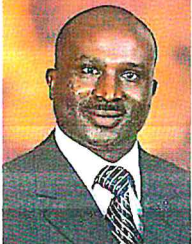


|  |   |
|--|---|
| 3.    | Mr. Kamau Mugenda<br>Director Corporate Services                      |
| 4.    | Prof. Elijah Songok<br>Director Research Capacity Building            |
| 5.   | Mr. Martin Machira<br>Corporation Secretary & Director Legal Services |
| 6.  | Dr. Evans Amukoye<br>Deputy Director, Grants Management               |
| 7.  | Mr. Edwin Bett<br>Acting Director, Strategy & Compliance              |
| 8.  | Daniel Saruni<br>Deputy Director, Human Resource                      |
| 9.  | Mr. Anthony Wachira<br>Deputy Director, Finance and Accounts          |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|     |   |   |
|-----|---|---|
| 10. |    | Mr. John Musau<br>Deputy Director Administration  |
| 11. |    | Dr. Kizito Lubano<br>Deputy Director Scientific Programmes<br>(Partnerships and Collaborations)     |
| 12. |    | Mr. Kalu Kitaba<br>Deputy Director, Supply Chain Management   |
| 13. |   | Prof. Jennifer Orwa<br>Deputy Director, Resource Development &<br>Knowledge Management              |
| 14. |  | Dr. Elizabeth Echoka-Wafula<br>Deputy Director, Research Capacity<br>Building/KEMRI Graduate School |
| 15. |  | Mr. Davis Mkoji<br>Deputy Director, Corporate Communications  |
| 16. |  | Mr. Patrick Mutinda<br>Deputy Director , Quality Assurance & Risk<br>Management Coordinator         |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |
|--|--|
| <p>17. </p>   | <p>Mr. Mahsen Abud<br/>Deputy Director, Information Communication &amp; Technology (ICT)</p> |
| <p>18. </p>   | <p>Mr. Patrick Gitau<br/>Acting Deputy Director, Internal Audit</p>                          |
| <p>19. </p>  | <p>Mr. Philip K. Melly<br/>Acting Deputy Director, Performance Management</p>                |
| <p>20. </p> | <p>Dr. Cecilia Wanjala<br/>Acting Director, Commercial Enterprises</p>                       |
| <p>21. </p> | <p>Eng. Grace Munoru<br/>Deputy Director, Engineering &amp; Maintenance Department</p>       |

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

The Kenya Medical Research Institute (KEMRI) Board of Management, humbly submits the Annual Report and Financial Statement for the year ended 30th June, 2020 in accordance with the provisions of Section 20 of the Science and Technology (Amendment) Act of 1979 (Cap 250 of the Laws of Kenya).

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

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

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



**Dr Daniel Musyoka Mbinda, MBS**  
**Chairman.**  
**KEMRI Board of Management**

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

Though the COVID-19 pandemic that ravaged the world for the entire last year and continues to present its threat this year, and as we take stock of this dark situation, we must proudly celebrate the courage and self-sacrifice of our staff who no doubt continue to fight gallantly this COVID-19 scourge. In this connection we shall forever not forget our fallen heroes, in the Institute and beyond, who departed from our midst due to this scourge. Our deeply missed, Mr. Karani Mugenda, who until his unfortunate death was our Director Corporate Services will always be in our minds.

During the year 2020 we embarked on COVID-19 related research activities utilizing funds meant for our traditional research into COVID-19 research. I am happy to report that a total of 17 proposals were funded through the Internal Research Grants 2019/20 budget of KES 158million. We are positive that these research studies will bring solutions particularly in the area of vaccine development, diagnostic kits and drug development for covid-19.

The Board of Management interviewed applicants for recruitment of 25 new highly trained scientists last year. Successful candidates have since been given letters of appointment into the Institute. We are now in the process of finalizing recruitment of 37 other scientists as approved by the Board and the Head of Public Service. I am also happy to report that we are in the tail end of the Salary and Remuneration Commission (SRC) led Job Evaluation process that will facilitate KEMRI's placement in appropriate grading and salary structuring.

Further, some of you may recall that the Institute underwent a Performance Contract Self-Evaluation exercise facilitated by the Public Service Performance Management Unit last November, 2020. Despite the COVID-19 challenges, our overall performance was "Very Good" in rating. However, it was noted that there are a number of areas that we need to focus and strengthen for an 'Excellent' rating this year.

The ERP system implementation which we have invested on for the past 2 years is complete and close out process done. As we move into incorporating Phase II of the ERP system, I want to urge members of staff to give the implementation team the necessary support and cooperation. In the past year the Institute embarked on a number of key projects, including rehabilitation of the access road and parking space, gate and the gate house, as well as installation of CCTV cameras and access control system at the headquarters. I am happy to report that the process is nearing completion and we will embark on a similar process in all other centres of the institute in due course.

On the International front, I am pleased to report that KEMRI was nominated by the Africa CDC as a Centre of excellence for evaluation of COVID-19 diagnostics. As a result, KEMRI will be expected to continuously facilitate systematic appraisal of SARS-2 diagnostic-tests. Similarly, the Institute received another accolade from the JICA President for its outstanding contributions and accomplishments towards JICA's international cooperation activities.

On the same note, I am pleased to report that I received a personal award from the Japanese Ambassador to Kenya H.E. Horie, for my distinguished service in enhancing the mutual understanding and friendship between Japan and the Republic of Kenya. I humbly accepted this award on behalf of all my colleagues at KEMRI because without their support this would not have been possible.

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

All the international recognitions depict the confidence that our valuable partners have towards KEMRI. We are deeply humbled by all these recognitions and I urge all of us to take up the challenge and live up to these expectations.

The world is looking for health solutions from us and expects us to provide the same.



Prof. Samuel Kariuki DVM, MSc, PhD

**Prof. Samuel Kariuki, DVM, MSc, PhD**  
**Ag. Director General/ CEO**

## **6. REVIEW OF KENYA REGULATORY & NON – COMMERCIAL ENTERPRISE 'S PERFORMANCE FOR FY 2019/2020**

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

KEMRI has five strategic pillars and objectives within its Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars are as follows:

Pillar 1: Research and Innovation

Pillar 2: Corporate Governance

Pillar 3: Research Infrastructure

Pillar 4: KEMRI Graduate School of Health Research

Pillar 5: Financial Sustainability

KEMRI develops its annual work plans based on the above five pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The institute achieved its performance targets set for the FY 2019/2020 period for its five strategic pillars, as indicated in the diagram below:

| <b>Strategic Pillar</b>                  | <b>Objective</b>   | <b>Key Performance Indicators</b>                 | <b>Activities</b>                                    | <b>Achievements</b> |
|--|--|---|--|---------------------|
| <b>Pillar 1: Research and Innovation</b> | To strengthen investment in health Research and Innovation | No. of proposals developed and approved           | Conduct research in priority areas                   | 119                 |
|  |  | No of ongoing research studies                    | Implement research in priority health research areas | 517                 |
|  |  | No of Published Manuscripts                       | Publish research findings in peer-reviewed journals  | 287                 |
|  |  | No of policy briefs and guidelines developed      | Translate Research Findings into Policies            | 2                   |
|  |  | No of specialized Laboratory Tests conducted      | Provide specialized Laboratory Services              | 1,167,736           |
|  |  | No of clinical services provided                  | Provide clinical services                            | 2,434               |
|  |  | No of Diagnostic Kits and Products commercialized | Commercialize research products and innovations      | 526,262             |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |   |  |   |                         |
|--|---|--|---|-------------------------|
|  |   | No of conferences, symposia and workshops held | Organise scientific conferences, symposia and workshops   | 4                       |
| <b>Pillar 2: Corporate Governance</b>    | To strengthen corporate governance by transforming and re-engineering business processes in order to achieve efficiency and effectiveness in health research and service delivery | KEMRI Act/ legal Notice                        | Review the existing Act under which KEMRI is established to harmonize with the Kenya constitution and other legislation | Draft Bill developed    |
|  |   | legal audit report                             | Ensure compliance with the constitution, laws and all statutory requirements  |                         |
|  |   | Organization structure implemented             | Implement revised organizational structure  | 100%                    |
|  |   | ISO certified/ other accreditations            | Implement Quality Management Systems  | ISO 9001:2015 Certified |
|  |   | Approved HR strategy                           | Develop and operationalize the HR Planning strategy   | 100%                    |
|  |   | Approved Procurement plan                      | Develop and comply with the Institute procurement plan  | 100%                    |
| <b>Pillar 3: Research Infrastructure</b> | To upgrade research infrastructure and automate processes   | Labs constructed                               | Construct research laboratories in Kirinyaga  | 30%                     |
|  |   | Laboratories upgraded                          | Upgrading of laboratories to biosafety level 3 (CRDR)   | 20%                     |
|  |   | Laboratories renovated                         | Renovation of Labs and construction of sample management and repository facility (HQ)                                   | 75%                     |
|  |   | Rehabilitated access roads and drainage        | Rehabilitation of access roads and drainage in KEMRI Kisian station   | 95%                     |
|  |   | Key functions automated                        | ICT infrastructure and automation   | 60%                     |
|  |   | Piping system replaced                         | Rehabilitation/Replacement of water piping system at HQ   | 95%                     |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |   |  |  |                              |
|--|---|--|--|------------------------------|
|  |   | Buildings renovated  | Renovations of staff quarters at Mbagathi – Blocks C & D       | 90%                          |
| Pillar 4:<br><b>KEMRI Graduate School of Health Research</b> | To attain degree awarding status for KEMRI Graduate School of Health                      | Charter  | Pursue KEMRI University Charter                                | Draft Cabinet Memo Developed |
|  |   | Courses designed   | Design postgraduate courses                                    | 100%                         |
|  |   | Students enrolled  | Enrol students (Msc & PhD)                                     | Intake affected by COVID-19  |
| Pillar 5:<br><b>Financial Sustainability</b>                 | To enhance and diversify resource mobilization as a step towards financial sustainability | Develop new funding networks                               | MOUs and agreements developed                                  |                              |
|  |   | Engage the National Research Fund for increased allocation | Proposals developed  |                              |
|  |   | Amount allocated   | Lobby GoK for establishment of a dedicated KEMRI research fund |                              |
|  |   | Amount of funds  | Identify funding calls and lobby for research funding          | 3,912,830,000                |
|  |   | Amount of funds  | Revenue Generation Activities                                  | 165,594,567                  |

## **7. CORPORATE GOVERNANCE STATEMENT**

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

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

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

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

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

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

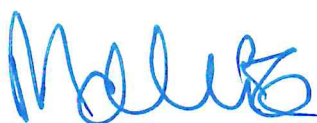
The Board endeavors to disclose confidential information, avoid real and perceived conflicts of interest, and concentrates on the interests of the Institute over other interests. To achieve this, a Conflict of Interest register is maintained by the Corporation Secretary and disclosure of interest is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

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

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

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

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



**Corporate Secretary**

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

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

i) The Institute developed four hundred and thirty-one (431) new research proposals covering national health research priority areas with the aim of providing evidence based research data to inform policy formulation, prioritization of interventions, allocation of resources and revision of national treatment guideline.

ii) Seven hundred and sixty-four (764) publications were done in peer reviewed journals. These contributed to increased scientific knowledge in addition to providing a repository of scientific reference material for formulation of evidence based policies and treatment guidelines for disease management and training.

iii) The Institutes' scientist also presented four hundred and sixty-five (465) peer reviewed scientific abstracts in national and international conferences and scientific forums.

iv) Rapid situation analysis on population needs for Universal Health Coverage in government selected Pilot Counties, Kenya. Other UHC research related activities were conducted on human food security and nutrition and Health Systems.

v) Following the successful clinical trial of the malaria vaccine, KEMRI has commenced a Phase 4 clinical trial. Other clinical trials conducted during the period include; Ebola phase two trials, TB, Sickle cell.

vi) Traditional Medicines and Natural Products:

a) Pilot study conducted in the evaluation of pyrethrum based jigger products and herbal medication (Zedupex) for herpes simplex

b) KEMRI has conducted research for herbal based contraceptive

c) Pre-clinical studies for 20 herbal medicines for cancer treatment

d) Enriching children food using herbal remedies to control helminths

vii) Offered 2,504,029 specialized laboratory services including Viral Load testing which covers 75% of all National tests, PCR- Early Infant Diagnosis of HIV, HIV/Rapid Test and DNA tests.

This was made possible through acquisition of new technology with the capacity to conduct one million tests quarterly. The technology further sends information to client on real time (both patients and health facility).

viii) Developed and continue to manage Demographic Health Surveillance Systems (DHSS) targeting hospitalization, outpatient, births/deaths and priority diseases within Kisumu, Siaya, Homabay and Kilifi Counties.

ix) The Institute continues to maintain the following accreditations: WHO accreditation (CVR polio lab), Microbiology & Clinical Research Labs (CAP) (KEMRI/WRP Kericho), ISO 15189:2012 (Medical laboratory (CVR, CGHR- TB/HVR/DLSP)), ISO 9001:2015 (QMS Requirements KEMRI), ISO 17043 (Proficiency Testing (Production)), ISO 13485 (Medical devices (Production)). KEMRI is also pursuing ISO 15189:2012 Medical Laboratory certification for CCR, ESACIPAC, CVR HIV lab, KEMRI/RTCP-FACES, CGHR Malaria.

x) KEMRI synthesized its research findings and development the following evidence based policy briefs/guidelines:

a) Policy Brief on TB diagnosis: Optimal use of available technologies for improved TB detection in the East Africa Community region

b) Common circulating and emerging enteric bacterial pathogens causing diarrhoea and antimicrobial resistance patterns which may negate treatment in the East African Region

c) An evidence brief for Policy Consideration. An Assessment of Research Evidence Informed Decision-Making Practices Among Healthcare Workers in Makueni County: Policy Options



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

- d) Evidence-Informed Decision Making at Taita Taveta County Health Department: A Strategy for action in research uptake
- e) Examining National Hospital Insurance Fund reforms in Kenya
- f) Examining multiple funding flows to public healthcare facilities in Kenya
- g) Strategic Purchasing for Universal Health Coverage: A Critical Assessment County Departments of Health in Kenya
- h) Situation Analysis of Population Needs for Universal Health Coverage (UHC) in Isiolo, Kisumu, Nyeri and Machakos
- i) Community Interventions in Low- and Middle- Income Countries to Inform COVID-19 Control Implementation Decisions within Kenya: A Rapid Systematic Review, issue date 30th June 2020.
- j) How can we Support Patients with Chronic Kidney Disease on Dialysis make Informed Nutritional Decisions? April 2020
- xi) KEMRI collaborated with a total of fifty-two (52) research and development partners in development of research activities of public health concern.
- xii) The Institute developed and commercialized 820,120 diagnostic kits and other product. The products include: Culture Media (plates), Culture Media (Tubes), KEM-rub, TBcide, KEMTAQ, Safi Kem (Hand wash), Sheep blood and Distilled Water
- xiii) Climate change and health: Monitoring vectors in relation to climate change.
- xiv) AMR and cholera:
- xv) The following infrastructure was also upgraded during the period:
  - ☐ Procurement of Research Equipment
  - ☐ Upgrading of laboratories
  - ☐ Construction of Kirinyaga research building
  - ☐ Upgrading of the p3 laboratories CRDR
  - ☐ Rehabilitation of access roads and drainage in KEMRI Kisian station
  - ☐ Installation of CCTV, barrier access control
  - ☐ Rehabilitation/Replacement of water piping system at HQ
  - ☐ Rehabilitation of Employee health facility
  - ☐ Construct, equip the garage at CPHR
  - ☐ Fencing of KEMRI Busia Center –One block

**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

During the period under review the Institute teamed up with other organizations to participate in a number of Corporate Social Responsibility initiatives such as ASK Show, Beyond Zero Marathon, Mountain Running Championship Zambezi Hospital Cancer, Walk Heart to Heart Foundation by Karen Hospital; Mater Heart run by Mater Hospital among others to participate in and execute charity medical camps and runs during the period under review.

The events generally had the following objectives: -

1. To give back to the community by assisting the disadvantaged. As a research Institute that continues to benefit from the tax payers' money, we are obligated to support community initiatives.
2. To create awareness about the Institute and build its public profile with a human face.
3. To support the on-going national advocacy initiatives through provision of a better health and sanitation campaigns.
4. To identify with the public and foster goodwill towards the Institute. Since KEMRI relies on the community for its research, it is therefore critical that those communities and the public in general have a positive picture of the Institute.

A brief summary of the events evidence includes the following:

**1. ASK Mombasa show**

The Institute participate in the ASK Mombasa show, from 4<sup>th</sup> to 8<sup>th</sup> September, 2019, by putting up a stand to inform the publics of the various research projects with the Institute and how the said projects affect and benefit them.

**2. Donated Kemrub Hand Sanitizers to Various Frontline Workers and Vulnerable Groups.** To aid in the fight against COVID-19

**3. In a bid to raise awareness to the community on various issues as well as raise funds, the institute participated in the following marathons**

- **Mt. Kenya Mountain Running Championship:** in Meru on 22<sup>nd</sup> February, 2020 to raise funds to support the fight against cancer, promote tourism and environmental conservation in Meru County.
- **Sponsored the Zambezi Hospital Cancer Awareness Walk on 29<sup>th</sup> February, 2020**

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

**10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the *entity's* affairs.

**Principal activities**

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

**Results**

The results of the entity for the year ended June 30, 2020 are set out on page 1-5.

**Directors**

The members of the Board of Directors who served during the year are shown on page vii-xiv. During the year 2019-2021. Mohamed Adow retired and Kanini Nthiga was appointed with effect from 17<sup>th</sup> July 2020.

**Auditors**

The Auditor General is responsible for the statutory audit of the *institute* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *institute* for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Corporate Secretary

Nairobi

Date...

07-04-2021

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

Section 81 of the Public Finance Management Act, 2012, and (section 14 of the State Corporations Act, - in accordance with the provisions of Section 20 of the Science and Technology (Amendment) Act of 1979 (Cap 250 of the Laws of Kenya) require the Directors to prepare financial statements in respect of KEMRI, which give a true and fair view of the state of affairs of the KEMRI at the end of the financial year and the operating results of KEMRI for that year. The Directors are also required to ensure that KEMRI keeps proper accounting records which disclose with reasonable accuracy the financial position of KEMRI. The Directors are also responsible for safeguarding the assets of KEMRI.


The Directors are responsible for the preparation and presentation of KEMRI'S financial statements, which give a true and fair view of the state of affairs KEMRI for and as at the end of the financial year (period) ended on June 30, 2020. 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 KEMRI; (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 KEMRI; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

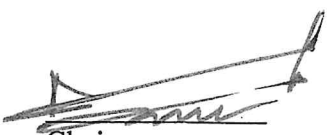
The Directors accept responsibility for KEMRI's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that KEMRI's financial statements give a true and fair view of the state of KEMRI's transactions during the financial year ended June 30, 2020, and of KEMRI's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for KEMRI, which have been relied upon in the preparation of KEMRI's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

KEMRI's financial statements were approved by the Board on 30<sup>th</sup> September 2020 and signed on its behalf by:

  
\_\_\_\_\_  
Director KEMRI

  
\_\_\_\_\_  
Chairman  
KEMRI  
Board of Management





# REPUBLIC OF KENYA

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



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2020**

---

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Medical Research Institute set out on pages 1 to 48, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of Kenya Medical Research Institute as at 30 June, 2020, 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 Public Finance Management Act, 2012 and the Science, Technology and Innovation Act, 2013.

#### **Basis for Qualified Opinion**

##### **1. Lack of a Valid Contract for Cleaning Services**

Note 15 to the financial statements reflects contracted cleaning services of Kshs.16,025,630 for the year ended 30 June, 2020. As previously reported, the Institute contracted a company in September, 2014 for cleaning services which was to run for eleven months up to 31 July, 2015 at a monthly charge of Kshs.1,602,563. The contract was however extended for four months to November, 2015 to allow a fresh tender by the Institute. However, it was noted that the Company continued offering services from December, 2015 up to the time of this audit in January, 2021. Available information indicates that there arose a dispute between the Company and the Institute where upon the Company sought legal redress, and the Institute was directed to pay the Company for services rendered outside the contract period from December, 2015. A total of Kshs.16,286,508 was paid during the year under review.



Consequently, the validity of contracted cleaning - services expenditure of Kshs.16,025,630 for the year ended 30 June, 2020 could not be confirmed.

## **2. Receivables from Non-Exchange Transactions**

### **2.1 Deposit with the Institute Lawyers**

As reported in 2018/2019, receivables from non-exchange transactions balance of Kshs.508,400,729 as disclosed at Note 20 to the financial statements is net of an amount of Kshs.120,000,000 in respect of a deposit placed with the Institute's lawyers in the year 2000 while the Institute was following up issues related to the stalled residential staff housing project. Although the Institute has fully provided for this amount as doubtful debts, the matter is still under police investigation. A further review of the balance indicates that undetermined amount of interest accumulated over time on the amount of Kshs.120,000,000 was not considered in arriving at the balance.

### **2.2 Long Outstanding Receivables**

Receivables from non-exchange transactions balance of Kshs.508,400,729 as at 30 June, 2020 includes capitation recurrent balance of Kshs.139,371,855 which have been outstanding for more than two years. No supporting documents were provided to confirm the recoverability of this amount. Further, the receivables from non-exchange transactions balance includes customers/suppliers control account balance of Kshs.61,478,263 which have also been outstanding for more than one year and whose recoverability appear doubtful.

### **2.3 Staff Advances**

As previously reported, receivables from non-exchange transactions balance of Kshs.508,400,729 as at 30 June, 2020 includes staff advances amounting to Kshs.67,370,969 out of which Kshs.5,736,759 was held by officers who either retired, resigned, died, absconded or jobs were terminated and therefore recoverability of this amount is in doubt.

This is contrary to Section 93(5) (6) of the Public Finance Management Regulations, 2015.

In the circumstance, the Institute is in breach of the law and the validity and full recoverability of receivables from non-exchange transactions balance of Kshs.508,400,729 as at 30 June, 2020 could not be confirmed.

## **3. Property, Plant and Equipment**

### **3.1 Land Without Title Documents**

As previously reported, the property, plant and equipment balance of Kshs.20,096,694,613 as disclosed at Note 22 to the financial statements includes two pieces of land valued at Kshs.4,152,168,160 whose title documents were not provided for audit verification as summarized below:

| No.          | Location      | County       | Acreage   | Valuation (Kshs.)    |
|--------------|---------------|--------------|-----------|----------------------|
| 1            | Mbagathi Road | Nairobi      | 2.4282 Ha | 4,143,768,160        |
| 2            | Taita Taveta  | Taita Taveta | 10 Acres  | 8,400,000            |
| <b>Total</b> |               |              |           | <b>4,152,168,160</b> |

### 3.2 Charged Residential Staff Housing Project

As previously reported, the property, plant and equipment balance of Kshs.20,096,694,613 include a staff housing project valued at Kshs.476,001,556 located on a 2.4282 ha area along Mbagathi Road - Nairobi and against which a developer had used the title documents as collateral to borrow funds from the National Bank of Kenya. In an effort to have the documents discharged, and as reported in 2018/2019, the Government spent a sum of Kshs.280 million in the year 1993 and a further amount of Kshs.142 million in the year 2000 towards settling the developer account with the Bank. However, and in spite of payments totalling Kshs.422 million having been made thus settling the debt in full, the documents had not been discharged to KEMRI as at 30 June, 2020.

In the circumstances, it has not been possible to ascertain the ownership status of the parcels of land and whether the property, plant and equipment balance of Kshs.20,096,694,613 as at 30 June, 2020 is fairly stated.

### 4. Intangible Assets-Software

As previously reported, included in the statement of financial position is intangible assets with a cost Kshs.160,543,308 out of which Kshs.22,904,126 relate to payment for an Enterprise Resource Planning (ERP) software for use in KEMRI. KEMRI had sourced for this service from a company on 24 August, 2011 at a contract sum of Kshs.24,865,500. The installation and commissioning of this software was to take one year up to 2 July, 2012. Despite the 92% payment of the contract sum by 30 June, 2020, only 4 out of 14 modules had been installed. It was further noted that even the 4 modules installed were not operational as at 30 June, 2020. KEMRI, therefore, had paid and amortized intangible assets not received. It's not clear and the Management has not explained the rationale of making payment and amortizing for a product that is not operational.

Consequently, it has not been possible to confirm the validity and accuracy of intangible assets net book value Kshs.58,250,627 as at 30 June, 2020 and if the Institute obtained value for money on the payment for the Enterprise Resource Planning (ERP) software.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Medical Research Institute 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **Other Matter**

## **Budgetary Control and Performance**

During the year under review, the Institute's actual receipts amounted to Kshs.7,905,650,742 against budgeted receipts of Kshs.8,560,549,343 resulting in a shortfall of Kshs.654,898,600. Further, actual expenditure for the year amounted to Kshs.7,845,861,018 against budgeted expenditure of Kshs.8,652,158,025 resulting in an overall under absorption of Kshs.806,297,007.

In overall, the under spending of the budget by Kshs.806,297,007 represents equivalent services budgeted for but not delivered to the residents of Kenya.

## **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 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. Employee Deduction above the Two Thirds Statutory Rule.**

A review of the Institute's payroll indicate that employee costs amounted to Kshs.2,243,301,000 as disclosed at Note 11 to the financial statements. However, and as reported in 2018/19, a total of 142 employees suffered deductions beyond two thirds (2/3) of their basic salary contrary to Section Ci Sub Section 3 of the Public Service Commission Human Resource Policies and Procedures Manual, which require employees to retain at least a third of their basic salary.

The Institute is therefore in breach of the law.

### **2. KEMRI - Nairobi City County Government – Service Level Agreement Loss**

As previously reported, the Institute signed an MOU with Nairobi City County Government and subsequently entered into a Service Level Agreement (SLA) effective 11 March, 2015 with an objective to collaborating with one another to improve standards of testing food handlers in the County of Nairobi with a view of ensuring provision of quality and hygienic



services to the residents of the County. The Institute committed itself to clause 7.7 (service level credits/penalties) that stipulated that KEMRI was to examine 50,000 food handlers per month which translate to Kshs.50,000,000 at the charge rate of Kshs.1,000 per client. The amount was to be shared at the ratio of 75:25 for KEMRI and Nairobi County Government respectively. Out of the KEMRI share of Kshs.750 per client, Kshs.500 was to cater for operational costs. The clause further stipulated that should KEMRI fail to reach the target of 50,000 people, they were to forfeit their share of the proceeds so as to cover Nairobi County Government share fully. This clause appears to have favored the Nairobi City County Government given that the target of 50,000 people that KEMRI was expected to certify was unrealistic and was not based on any baseline survey.

Further, a scrutiny of the implementation process revealed that the last review reflected a performance shortfall which resulted to KEMRI owing Kshs.120,000,000 to Nairobi County Government emanating from this biased Service Level Agreement. This may result to a loss of Kshs.120,000,000 should KEMRI pay Nairobi City County Government since there was no service rendered on the amount owing.

Available information further indicate that the County Government vide their letter to the Institute dated 14 January, 2016 terminated the Agreement citing non-performance by the Institute.

Under the circumstances, the Institute is likely to suffer a loss of Kshs.120,000,000 should the County Government sue for damages arising from non-performance of the contract agreement.

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 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 the Board of Directors**

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

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

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

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

The Board of Directors is responsible for overseeing the Institute's 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 Institute's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to 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 Institute 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 Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

28 January, 2022

**13. STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

|   | Notes | 2019-2020            | 2018-2019            |
|---|-------|----------------------|----------------------|
|   |       | Kshs                 | Kshs                 |
| <b>Revenue from non-exchange transactions</b> |       |                      |                      |
| Transfer from Ministry of Health              | 5     | 2,951,288,215        | 1,855,385,079        |
| Collaborators Funds                           | 6     | 4,419,799,754        | 4,326,305,598        |
|   |       |                      |                      |
| <b>Revenue from exchange transactions</b>     |       |                      |                      |
| Rental revenue from facilities and equipment  | 7     | 26,277,250           | 28,330,708           |
| Finance income - external investments         | 8     | 30,713,177           | 30,506,394           |
| Other income                                  | 9     | 477,572,347          | 400,904,390          |
| <b>Total revenue</b>                          |       | <b>7,905,650,742</b> | <b>6,641,432,170</b> |
| <b>Expenses</b>                               |       |                      |                      |
| Use of goods and services                     | 10    | 125,655,277          | 84,195,822           |
| Employee costs                                | 11    | 2,243,301,000        | 1,638,230,146        |
| Remuneration of directors                     | 12    | 51,638,012           | 35,573,046           |
| Depreciation and amortization expense         | 13    | 136,618,808          | 117,709,304          |
| Repairs and maintenance                       | 14    | 22,881,295           | 22,150,415           |
| Contracted services                           | 15    | 54,637,541           | 53,767,913           |
| Collaborators Expenses                        | 16    | 4,390,858,010        | 4,326,305,598        |
| Operating Expenses                            | 17    | 202,913,738          | 63,971,579           |
| General Expenses                              | 18    | 617,357,335          | 463,923,464          |
| <b>Total expenses</b>                         |       | <b>7,845,861,018</b> | <b>6,805,827,288</b> |
| <b>Other gains/(losses)</b>                   |       |                      | -                    |
| Gain on sale of assets                        |       |                      | -                    |
| <b>Surplus/( deficit) for the period/year</b> |       | <b>59,789,725</b>    | <b>(164,395,118)</b> |

The notes set out on pages 7 to 27 form an integral part of these Financial Statements



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**14. STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

|   | Notes | 2019-2020             | 2018-2019             |
|---|-------|-----------------------|-----------------------|
|   |       | Kshs                  | Kshs                  |
| <b>Assets</b>   |       |                       |                       |
| <b>Current assets</b>                                       |       |                       |                       |
| Cash and cash equivalents                                   | 19    | 1,264,706,187         | 993,739,305           |
| Receivables from non-exchange transactions                  | 20    | 508,400,729           | 446,925,910           |
| Investments   | 21    | 513,399,500           | 416,661,800           |
|   |       | <b>2,286,506,416</b>  | <b>1,857,327,015</b>  |
| <b>Non-current assets</b>                                   |       |                       |                       |
| Property, plant and equipment                               | 22    | 20,096,694,613        | 20,035,378,571        |
| Intangible assets   | 23    | 58,250,627            | 33,129,095            |
| Investment property   | 24    | 958,637,830           | 963,005,397           |
|   |       | <b>21,113,583,070</b> | <b>21,031,513,063</b> |
| <b>Total assets</b>   |       | <b>23,400,089,486</b> | <b>22,888,840,078</b> |
| <b>Liabilities</b>  |       |                       |                       |
| <b>Current liabilities</b>                                  |       |                       |                       |
| Trade and other payables from exchange transactions         | 25    | 719,706,788           | 218,336,205           |
| Refundable deposits from customers                          | 26    | 48,982,367            | 35,749,206            |
| Grant funds   | 27    | 851,970,644           | 926,881,060           |
| Bank Overdraft  | 28    | 3,040                 |                       |
| Deferred Income   | 29    | 171,560,226           | 159,796,910           |
|   |       | <b>1,792,223,064</b>  | <b>1,340,763,380</b>  |
| <b>Net assets</b>   |       | <b>21,607,866,422</b> | <b>21,548,076,697</b> |
| Capital replacement development reserve/<br>Capital Reserve |       |                       | 2,851,394,108         |
| Revaluation Reserve   |       | 21,548,076,697        | 17,371,506,618        |
| Accumulated surplus   |       | 59,789,725            | 1,325,175,971         |
| <b>Total net assets and liabilities</b>                     |       | <b>21,607,866,422</b> | <b>21,548,076,696</b> |

The Financial Statements set out on pages 6 to 26 were signed on behalf of the Board of Directors by:

Director General/C.E. O/M. D.  
Name: *Prof. Sam Kamuk*  
Date: *20/4/2021*

Head of Finance  
Name: *ANTHONY WACHIRA*  
ICPAK Member Number: *6547*  
Date: *21/4/21*

Chairman of the Board  
Name: *Dr. Justice Mwangi*  
Date: *20/4/21*

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

**15. STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2020**

|                            | Capital replacement<br>development<br>reserve/Capital Reserve | Revaluation Reserve | Accumulated<br>surplus | Total          |
|----------------------------|---|---------------------|------------------------|----------------|
|                            | Kshs  | Kshs                | Kshs                   | Kshs           |
| Balance as at 1 July 2018  | 2,851,394,108   | 17,371,506,618      | 1,489,571,089          | 21,712,471,815 |
| Surplus for the period     |   |                     | - 164,395,118          |                |
| Balance as at 30 JUNE 2019 | 2,851,394,108   | 17,371,506,618      | 1,325,175,971          | 21,548,076,696 |
|                            |   |                     |                        | -              |
| Balance as at 1 July 2019  | 2,851,394,108   | 17,371,506,618      | 1,325,175,971          | 21,548,076,696 |
| Surplus for the period     |   |                     | 59,789,725             |                |
| Balance as at 30 JUNE 2020 | 2,851,394,108   | 17,371,506,618      | 1,384,965,695          | 21,607,866,421 |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**16. STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

|   |  | 2019-2020            | 2018-2019            |
|---|--|----------------------|----------------------|
|   |  | Kshs                 | Kshs                 |
| <b>Cash flows from operating activities</b>                   |  |                      |                      |
| <b>Receipts</b>   |  |                      |                      |
| Transfer from Governments                                     |  | 2,951,288,215        | 1,855,385,079        |
| Collaborators Funds   |  | 4,419,799,754        | 4,326,305,598        |
| Rental revenue from facilities and equipment                  |  | 26,277,250           | 28,330,708           |
| Finance income - external investments                         |  | 30,713,177           | 30,506,394           |
| Revenue Generating Activities                                 |  | 239,694,084          | 114,610,355          |
| Graduate Program (ITROMID)                                    |  | 19,663,890           | 19,435,928           |
| Miscellaneous Income  |  | 8,244,910            | 1,956,244            |
| Overheads   |  | 209,969,463          | 264,901,864          |
| <b>Total Receipts</b>   |  | <b>7,905,650,742</b> | <b>6,641,432,170</b> |
| <b>Payments</b>   |  |                      |                      |
| Use of goods and services                                     |  | 125,655,277          | 84,195,822           |
| Employee costs  |  | 2,243,301,000        | 1,638,230,146        |
| Remuneration of directors                                     |  | 51,638,012           | 35,573,046           |
| Repairs and maintenance                                       |  | 22,881,295           | 22,150,415           |
| Contracted services   |  | 54,637,541           | 53,767,913           |
| Collaborators Expenses  |  | 4,390,858,010        | 4,326,305,598        |
| Operating Expenses  |  | 202,913,738          | 63,971,579           |
| General Expenses  |  | 617,357,335          | 463,923,464          |
| <b>Total Payments</b>   |  | <b>7,709,242,210</b> | <b>6,688,117,984</b> |
| <b>Surplus before Working Capital Changes</b>                 |  | <b>196,408,533</b>   | <b>(46,685,814)</b>  |
| <b>Working Capital Changes</b>                                |  |                      |                      |
| Decrease/(Increase) in receivables                            |  | (61,474,819)         | (4,050,707)          |
| ( Increase)/Decrease in Short term deposits                   |  | (96,737,700)         | 91,998,950           |
| Increase in payables  |  | 501,370,583          | (245,849,807)        |
| Decrease in Deferred Income                                   |  | 11,763,316           | 85,921,012           |
| Increase in Refundable deposits from customers                |  | 13,233,161           | (18,907,070)         |
| (Decrease) in bank overdraft                                  |  | 3,040                | (158,854)            |
| Increase in Collaborators Funds - payment received in advance |  | (74,910,416)         | 251,811,115          |
| <b>Net cash flows from operating activities</b>               |  | <b>489,655,697</b>   | <b>114,078,825</b>   |
| Purchase of property, plant, equipment and intangible assets  |  | (218,688,815)        | (200,563,690)        |
| <b>Net cash flows used in investing activities</b>            |  | <b>(218,688,815)</b> | <b>(200,563,690)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |  | <b>270,966,882</b>   | <b>(86,484,865)</b>  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|                                      |  |               |               |
|--------------------------------------|--|---------------|---------------|
| Cash and cash equivalents at 1 JULY  |  | 993,739,305   | 1,080,224,170 |
| Cash and cash equivalents at 30 JUNE |  | 1,264,706,187 | 993,739,305   |



**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020**

|  | Original budget      | Adjustments          | Final budget         | Actual on comparable basis | Performance difference  |
|--|----------------------|----------------------|----------------------|----------------------------|-------------------------|
|  | 2019-2020            | 2019-2020            | 2019-2020            | 2019-2020                  | 2019-2020               |
| Revenue                                    | Kshs                 | Kshs                 | Kshs                 | Kshs                       | Kshs                    |
| GOK Recurrent                              | 2,104,438,215        | 657,000,000          | 2,761,438,215        | 2,951,288,215              | 189,850,000.00          |
| Collaborators funds                        | 6,272,945,597        | (944,725,597)        | 5,328,220,000        | 4,419,799,754              | (908,420,246.24)        |
| Sundry Income - Overheads                  | 351,285,000          | (36,136,259)         | 315,148,741          | 209,969,463                | (105,179,278.13)        |
| Rendering of services - Revenue Generating | 81,000,000           | -                    | 81,000,000           | 267,602,884                | 186,602,884.13          |
| Finance Income - Interest on investments   | 45,000,000           | (257,613)            | 44,742,387           | 30,713,177                 | (14,029,210.09)         |
| Rental income                              | 30,000,000           | -                    | 30,000,000           | 26,277,250                 | (3,722,750.20)          |
| <b>Total income</b>                        | <b>8,884,668,812</b> | <b>(324,119,469)</b> | <b>8,560,549,343</b> | <b>7,905,650,742</b>       | <b>(654,898,600.53)</b> |
| <b>Expenses</b>                            |                      |                      |                      |                            |                         |
| Compensation of employees-Exchequer        | 1,939,660,000        | (635,091,486)        | 2,574,751,486        | 2,243,301,000              | 331,450,486.19          |
| Compensation of employees-Collaborators    | 3,763,767,358        | 566,835,358          | 3,196,932,000        | 2,936,745,484              | 260,186,516.03          |
| Goods and services-Exchequer               | 732,605,000          | (16,581,539)         | 749,186,539          | 1,211,962,886              | (462,776,346.81)        |
| Goods and services-Collaborators           | 2,509,178,239        | 377,890,239          | 2,131,288,000        | 1,453,851,648              | 677,436,351.69          |
| <b>Total expenditure</b>                   | <b>8,945,210,597</b> | <b>293,052,572</b>   | <b>8,652,158,025</b> | <b>7,845,861,018</b>       | <b>806,297,007.10</b>   |
| <b>Surplus for the period</b>              | <b>(60,541,785)</b>  | <b>31,066,897</b>    | <b>(91,608,682)</b>  | <b>59,789,725</b>          |                         |



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

### **1. GENERAL INFORMATION**

Kenya Medical Research Institute is established by and derives its authority and accountability from the Science and Technology (Amendment) Act of 1979, which has since been amended to Science, Technology and Innovation Act 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is a National Body responsible for carrying out health research in Kenya.

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

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

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

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

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

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

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

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

##### **Deferred Income**

The national government transferred Kshs. 11,763,316, being research funding during the year. At the end of the financial year, the balance in the deferred income of Kshs. 171,560,226 has been recorded as a Liability in the statement of financial position.

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

##### ***Rendering of services***

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

##### ***Sale of goods***

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Institute

**iii) Interest income**

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

**3. Budget information – IPSAS 24**

The original budget for FY 2019-2020 was approved by the National Assembly April 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by KEMRI upon receiving the respective approvals in order to conclude the final budget. Accordingly, KEMRI recorded additional appropriations of Ksh. 16,500,000 on the 2019-2020 budget following the governing body's approval.

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

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

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

**Notes to the Budget**

**1. Collaborators funds- Ksh 4,419 million**

The collaborators funds during the year totalled Ksh 4,419 million compared to Ksh 4,326 million during 2018/19 FY. This is a marginal growth of Ksh 93 million (1.7%) as a result of the US Government reducing external funding to countries.

**2. Overheads- Ksh 210 million**

The overheads income in 2019/20 FY is Ksh 210 million compared to Ksh 265 million, a reduction of Ksh 55 million (20.8%). Management is keenly following up on all new project funds to ensure that overheads are included.

**3. Interest on investments- Ksh 29.8 million.**

The Interest on investment increased from 26.11 million in 2018/19 FY to Ksh 29.8 million as a result of increased Treasury Bill amount invested to Ksh 476 million.

**4. Other income- Ksh 239.7 million.**

The Institute generated Ksh 239.7 million on other incomes during 2019/20 FY compared to Ksh 114 million in 2018/19 FY. The growth is attributed to increase in sales by Production Unit

**5. Expenditure**

The Institute's exchequer staff cost for the year amounted to Ksh 2,243 million compared to Ksh 1,638 million in 2018/19 FY; an increase of Ksh 605 million. The 2019/20 FY employee cost included Ksh 605 million being a review of salaries by the SRC.

**7. Investment property – IPSAS 16**

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

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

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

**b) Property, plant and equipment – IPSAS 17**

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

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

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

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets are

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

amortized at the rate of 25% with an expected life of four years. The useful life of the intangible assets is assessed as either finite or indefinite.

**c) Research and development costs**

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

- 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.

**d) Provisions – IPSAS 19**

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

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

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

***Contingent liabilities***

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

**e) Nature and purpose of reserves**

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

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

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

**g) Employee benefits – IPSAS 25**

**Retirement benefit plans**

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

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

**h) Foreign currency transactions – IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction.

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

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

**j) Cash and cash equivalents**

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

**k) Comparative figures**

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



**Kenya Medical Research Institute  
Annual Reports and Financial Statements  
For the year ended June 30, 2020**

---

**l) Subsequent events – IPSAS 14**

**Civil Application No: Nai, 204 of 2014 (Ur 160/2014) – KEMRI Vs Samson Gwer and 5 Others**

In this application, a judgment was passed on 18<sup>th</sup> July, 2014 by the Industrial Court of Kenya that the six (6) petitioners are entitled to a total sum of Kshs.30, 000,000 in compensation for violation of their rights under Article 23 of the constitution. The institute immediately appealed the judgment, and a stay of execution was granted by Hon Justice Mathew N. Nduma of 18<sup>th</sup> July, 2014 industrial Court on condition that a sum of Kshs.30, 000,000 be deposited in an Escrow account.

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

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

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

**a) Revenue recognition (Continued)**

**ii) Revenue from exchange transactions**

***Rendering of services***

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

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

***Sale of goods***

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

***Interest income***

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

***Dividends***

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

**Rental income**

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

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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

**5. TRANSFERS FROM OTHER GOVERNMENTS**

(a)

| Description                                  | 2019-2020            | 2018-2019            |
|--|----------------------|----------------------|
|  | KShs                 | KShs                 |
| <b>Conditional grants</b>                    |                      |                      |
| Recurrent                                    | 2,719,688,215        | 1,855,385,079        |
| Development                                  | 231,600,000          | -                    |
| <b>Total government grants and subsidies</b> | <b>2,951,288,215</b> | <b>1,855,385,079</b> |

**5 b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

| Name of the Entity sending the grant | Amount<br>recognized to<br>Statement of<br>Comprehensive<br>Income | Amount<br>recognised in<br>capital fund. | 2019-2020            |
|--------------------------------------|--|--|----------------------|
|                                      | KShs   |  |                      |
|                                      |  | KShs                                     | KShs                 |
| Ministry of Health - Recurrent       | 2,719,688,215  |  | 2,719,688,215        |
| Research & Development Grant         | 231,600,000  |  | 231,600,000          |
| <b>Total</b>                         | <b>2,951,288,215</b>   |  | <b>2,951,288,215</b> |

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

**6. COLLABORATORS FUND**

| Description   | 2019-2020            | 2018-2019            |
|---|----------------------|----------------------|
|   | KShs                 | KShs                 |
| Collaborators Funds                                 | 4,419,799,754        | 4,312,691,953        |
| Contributed revenue                                 |                      | 13,613,645           |
| <b>Total revenue from the rendering of services</b> | <b>4,419,799,754</b> | <b>4,326,305,598</b> |

**7. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

| Description                    | 2019-2020         | 2018-2019         |
|--------------------------------|-------------------|-------------------|
|                                | KShs              | KShs              |
| Rent from Institutional houses | 26,277,250        | 28,330,708        |
| Contingent rentals             |                   | -                 |
| <b>Total rentals</b>           | <b>26,277,250</b> | <b>28,330,708</b> |

**8. FINANCE INCOME - EXTERNAL INVESTMENTS**

| Description  | 2019-2020         | 2018-2019         |
|--|-------------------|-------------------|
|  | KShs              | KShs              |
| Cash investments and fixed deposits                | 953,548           | 4,391,611         |
| Interest income from Treasury Bills                | 29,759,629        | 26,114,784        |
| <b>Total finance income – external investments</b> | <b>30,713,177</b> | <b>30,506,394</b> |

**9. OTHER INCOME**

| Description                   | 2019-2020          | 2018-2019          |
|-------------------------------|--------------------|--------------------|
|                               | KShs               | KShs               |
| Revenue Generating Activities | 239,694,084        | 114,610,355        |
| Graduate Program (ITROMID)    | 19,678,511         | 19,435,928         |
| Miscellaneous Income          | 8,244,910          | 1,956,244          |
| Sundry Income - Overheads     | 209,969,463        | 264,901,864        |
| <b>Total other income</b>     | <b>477,572,347</b> | <b>400,904,390</b> |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

**10. USE OF GOODS AND SERVICES**

| <b>Description</b>             | <b>2019-2020</b>   | <b>2018-2019</b>  |
|--------------------------------|--------------------|-------------------|
|                                | <b>KShs</b>        | <b>KShs</b>       |
| Electricity                    | 110,078,095        | 73,869,886        |
| Water                          | 11,711,092         | 8,157,506         |
| Subscriptions                  | 3,866,089          | 2,168,430         |
| <b>Total good and services</b> | <b>125,655,277</b> | <b>84,195,822</b> |

**11. EMPLOYEE COSTS**

| <b>Description</b>              | <b>2019-2020</b>     | <b>2018-2019</b>     |
|---------------------------------|----------------------|----------------------|
|                                 | <b>KShs</b>          | <b>KShs</b>          |
| Basic Salary                    | 1,101,823,445        | 801,699,174          |
| Gratuity & pension contribution | 198,109,205          | 166,227,026          |
| House allowance                 | 357,740,893          | 293,253,385          |
| Other allowance                 | 343,284,176          | 251,108,285          |
| Medical allowance               |                      | 168,885              |
| Passages & leave                | 6,502,070            | 6,709,000            |
| Staff Insurance                 | 20,506,389           | 19,571,215           |
| Medical & Ex-gratia             | 215,334,822          | 99,493,176           |
| <b>Employee costs</b>           | <b>2,243,301,000</b> | <b>1,638,230,146</b> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**12. REMUNERATION OF DIRECTORS**

| Description                 | 2019-2020         | 2018-2019         |
|-----------------------------|-------------------|-------------------|
|                             | KShs              | KShs              |
| Sitting Allowance           | 16,059,320        | 12,552,000        |
| Travel & Accommodation      | 27,755,355        | 17,164,229        |
| Official Entertainment      | 625,940           | 2,695,957         |
| Insurance                   | 5,000             | 496,460           |
| Honoraria                   | 960,000           | 960,000           |
| Telephone                   | 72,000            | 72,000            |
| Training                    | 6,160,397         | 1,632,400         |
|                             |                   |                   |
| <b>Total Board Expenses</b> | <b>51,638,012</b> | <b>35,573,046</b> |

**13. DEPRECIATION AND AMORTIZATION EXPENSE**

| Description                                | 2019-2020          | 2018-2019          |
|--|--------------------|--------------------|
|  | KShs               | KShs               |
| Property Plant and Equipment               | 102,963,472        | 96,147,911         |
| Investment Property                        | 10,557,449         | 10,495,550         |
| Intangible Assets                          | 23,097,886         | 11,065,843         |
| <b>Total depreciation and amortization</b> | <b>136,618,808</b> | <b>117,709,304</b> |

**14. REPAIRS AND MAINTENANCE**

| Description                          | 2019-2020         | 2018-2019         |
|--------------------------------------|-------------------|-------------------|
|                                      | KShs              | KShs              |
| Maintenance. -Plant, mach.& equip.   | 6,200,891         | 2,340,347         |
| Maintenance - buildings & stations   | 15,955,294        | 19,390,793        |
| Maintenance of Water & Sewer         | 725,110           | 419,275           |
| <b>Total repairs and maintenance</b> | <b>22,881,295</b> | <b>22,150,415</b> |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**15. CONTRACTED SERVICES**

| Description                      | 2019-2020         | 2018-2019         |
|----------------------------------|-------------------|-------------------|
|                                  | KShs              | KShs              |
| Security Expenses                | 38,611,911        | 32,934,594        |
| Contracted Services - Cleaning   | 16,025,630        | 20,833,319        |
|                                  |                   |                   |
| <b>Total contracted services</b> | <b>54,637,541</b> | <b>53,767,913</b> |

**16. COLLABORATORS EXPENSE**

| Description                         | 2019-2020            | 2018-2019            |
|-------------------------------------|----------------------|----------------------|
|                                     | KShs                 | KShs                 |
| Staff Costs                         | 2,937,006,362        | 3,083,176,404        |
| Bank Charges                        | 1,791,087            | 823,941              |
| Training                            | 13,407,933           | 50,713,194           |
| Laboratory Supplies                 | 48,259,221           | 86,645,711           |
| Travelling and Accommodation        | 116,254,694          | 242,096,841          |
| Motor Vehicle Expenses              | 21,735,144           | 27,327,562           |
| Purchase of assets                  | 18,576,953           | 13,613,645           |
| Other Operating Expenses            | 1,233,826,616        | 821,908,300          |
|                                     |                      |                      |
| <b>Total Collaborators Expenses</b> | <b>4,390,858,010</b> | <b>4,326,305,598</b> |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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

**17. OPERATION EXPENSES**

| Description                                | 2019-2020          | 2018-2019         |
|--|--------------------|-------------------|
|  | KShs               | KShs              |
| Laboratory reagents & supplies             | 146,240,896        | 46,696,455        |
| Purchase of drugs & dressings/staff clinic | 1,362,582          | 2,858,635         |
| Purchase of animal feeds                   | 314,860            | 635,295           |
| Research Programs -Internal                | 139,900            | 11,723,925        |
| Research funding                           | 9,258,960          | 1,996,764         |
| Research Materials                         | 156,380            | 60,505            |
| Incineration Services                      | 1,193,274          |                   |
| Graduate School Charter                    | 4,179,385          | -                 |
| Lab Tests, Sample Processing and Storage   | 4,120,202          |                   |
| Commercial Enterprise Purchase A/C         | 35,947,299         |                   |
|  |                    |                   |
| <b>Total Operating Expenses</b>            | <b>202,913,738</b> | <b>63,971,579</b> |

**18. GENERAL EXPENSES**

| Description                          | 2019-2020  | 2018-2019  |
|--------------------------------------|------------|------------|
|                                      | KShs       | KShs       |
| Transport                            | 15,328,654 | 43,704,837 |
| Travelling & accommodation           | 86,069,651 | 86,527,821 |
| Legal expenses                       | 7,991,356  | 23,043,896 |
| External travelling & accommodation. | 11,766,853 | 20,459,335 |
| Postal & telegrams                   | 291,498    | 19,992     |
| Telephones                           | 3,966,323  | 4,970,769  |
| Official entertainment               | 817,640    | 1,711,618  |
| Conferences, Seminars & Workshops    | 18,002,884 | 12,238,319 |
| Purchase of consumable stores        | 46,987,438 | 6,690,568  |
| Publishing & printing                | 3,743,698  | 1,818,665  |
| Purchase of uniforms & clothing      | 1,375,772  | 2,171,650  |
| Library Expenses                     | 151,284    | 1,918,483  |
| Purchase of stationery               | 9,472,630  | 6,869,248  |
| Advertising, publicity & shows       | 8,904,189  | 17,132,369 |
| Industrial Diesel                    | 24,785,389 | 2,510,170  |
| Rents and rates                      | -          |            |
| Computer Expenses                    | 26,938,893 | 3,217,036  |
| Internet service                     | 16,741,489 | 9,887,873  |
| Miscellaneous                        | 5,923,597  | 1,399,697  |
| Audit Fees                           | 1,392,000  | 1,188,000  |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|   |                    |                    |
|---|--------------------|--------------------|
| Fees Commission & Honoraria               | 10,697,750         | 13,121,404         |
| Training                                  | 27,673,437         | 22,136,828         |
| Insurance - Fire and burglary             | 1,473,264          | 1,753,568          |
| Insurance - Motor Vehicle                 | 9,247,536          | 9,550,070          |
| Prevention of Drugs & Substance Abuse     |                    | 379,618            |
| Financial control & Inspections/Int audit | 916,599            | 5,475,478          |
| Staff Welfare                             | 13,620,624         | 15,661,207         |
| Strategic Initiatives                     | 25,686,534         | 32,755,146         |
| Gender Mainstreaming                      | 391,224            | 185,000            |
| Disability Mainstreaming                  |                    | 951,692            |
| Bank Charges                              | 4,791,911          | 1,821,635          |
| Valuation of Fixed Assets                 | 2,217,280          | 2,407,144          |
| Devolution Expenses                       | 136,000            | 3,023,608          |
| Remittances-JKUAT                         |                    | 4,086,583          |
| Human Resource Consultancy                | 7,925,400          | 1,694,319          |
| Workshops                                 |                    | 4,068,343          |
| HIV Awareness                             | 686,820            | 1,260,530          |
| CDC Vendors Debt                          |                    | 42,600,637         |
| CDC Debt Repayment                        | 105,900,000        | 50,350,000         |
| Bad Debts                                 | 110,403,140        |                    |
| Corruption Eradication                    | 282,100            | 1,329,195          |
| Compensation & ex-gratia payments         |                    | 1,574,316          |
| CCR catering services                     | 1,843,577          | 57,653             |
| New products Devt costs                   |                    | 199,145            |
| COVID-19                                  | 2,812,900          |                    |
|   |                    |                    |
| <b>Total general expenses</b>             | <b>617,357,335</b> | <b>463,923,464</b> |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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

**19. CASH AND CASH EQUIVALENTS**

| Description                            | 2019-2020            | 2018-2019          |
|--|----------------------|--------------------|
|  | KShs                 | KShs               |
| Current account                        | 1,264,706,187        | 993,739,305        |
| Cash at Hand                           | -                    | -                  |
| <b>Total cash and cash equivalents</b> | <b>1,264,706,187</b> | <b>993,739,305</b> |

**19 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS**

|                           |                | 2019-2020   | 2018-2019   |
|---------------------------|----------------|-------------|-------------|
| Financial institution     | Account number | KShs        | KShs        |
| <b>a) Current account</b> |                |             |             |
| KCB                       |                |             |             |
| Exchequer                 | 1104161362     | 326,390,506 | 83,361,931  |
| ITROMID Account           | 1104167611     | 38,352,475  | 41,412,309  |
| RGA                       | 1104174529     | 68,876,592  | 47,978,508  |
| Production Department     | 1104166194     | 360,717     | 16,544,086  |
| Conference Collection     | 1112776850     | 9,344,515   | 3,513,640   |
| External Grants           | 1104158574     | 343,703,936 | 488,459,045 |
| RCTP                      | 1104166879     | 4,361       |             |
| IPM                       | 1110258925     | 18,760,930  | 128,369     |
| KEMRI CDC                 | 1104175975     | 1,021,241   | 1,022,306   |
| Local Grants              | 1104161966     | 174,087,064 | 21,263,492  |
| Dollar Account            | 1168110491     |             | 35,215      |
| Euro Account              | 1170930956     | -           | 1,037       |
| CDC/Non Grants Accounts   | 1123818177     | 8,266,710   | 12,040,936  |
| Welcome Trust             | 1110259204     | 8,899,057   | 8,900,182   |
| CDC Research Grants       | 1101722291     | 38,856,609  | 8,066,997   |
| Mortgage Account          | 46000014289    | 219,961,930 | 253,286,519 |
| KEMRI Oxford University   | 46000012346    | 186,876     | 194,316     |
| <b>Cooperative bank</b>   |                |             |             |
| CNHR RLGA                 | 1128126178201  | 195,406     | 195,646     |
| CNHR RLGA                 | 1128126178200  | 3,702,890   | 3,718,730   |
| CNHR RLGA                 | 1128126178202  | 282,741     | 282,981     |
| CNGR RLGA                 | 1128126178203  | 902         | 1,142       |
| KEMRI IPM SUBA            | 1128126178700  | 2,966,783   | 2,981,423   |
| KEMRI EAST AFRICA         | 1128126671100  | 483,948     | 349,348     |
| KEMRI/EDCPT               | 1128127558400  |             | -           |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|                    |  |                      |                    |
|--------------------|--|----------------------|--------------------|
| <b>Sub- total</b>  |  | <b>1,264,706,187</b> | <b>993,738,159</b> |
| cash in hand       |  |                      | -                  |
| M pesa             |  |                      | -                  |
| <b>Sub- total</b>  |  |                      | -                  |
| <b>Grand total</b> |  | <b>1,264,706,187</b> | <b>993,738,159</b> |

**20. RECEIVABLES FROM NON-EXCHANGE CONTRACTS**

| <b>Description</b>                  | <b>2019-2020</b>   | <b>2018-2019</b>   |
|-------------------------------------|--------------------|--------------------|
|                                     | <b>KShs</b>        | <b>KShs</b>        |
| <b>Current receivables</b>          |                    |                    |
| Graduate school – Outstanding Fees  | 107,844,571        | 110,260,675        |
| Interest Receivable                 | 4,651,789          | 6,082,805          |
| Capitation-Recurrent                | 139,371,855        | 139,371,856        |
| Sande Makhandia & Co. Advocates     | 120,000,000        | 120,000,000        |
| Ngetich Ciira Advocates             | 5,848,220          | 5,848,220          |
| Advances to Centres                 | 126,376,153        | 738,160            |
| Staff advances                      | 67,370,969         | 38,437,671         |
| Over remitted Statutory Deduction   | 369,900            | 150,682            |
| Miscellaneous                       | 21,834,665         | 149,174,135        |
| Customers/suppliers Control Account | 61,478,263         | 40,471,198         |
| Net Salary Payable                  | 16,863,835         | -                  |
| <b>Total Receivables</b>            | <b>672,010,221</b> | <b>610,535,402</b> |
| Less: impairment allowance          | (163,609,492)      | (163,609,492)      |
| <b>Total current receivables</b>    | <b>508,400,729</b> | <b>446,925,910</b> |

**21. INVESTMENTS**

| <b>Description</b> | <b>2019-2020</b>   | <b>2018-2019</b>   |
|--------------------|--------------------|--------------------|
|                    | <b>KShs</b>        | <b>KShs</b>        |
| CBK-Treasury Bills | 483,399,500        | 386,661,800        |
| CBK-Fixed Account  | 30,000,000         | 30,000,000         |
|                    |                    |                    |
| <b>Grand total</b> | <b>513,399,500</b> | <b>416,661,800</b> |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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

**22. PROPERTY, PLANT AND EQUIPMENT**

|                             | LAND           | OFFICE BUILDING | ROADS      | MOTOR VEHL  | MOTOR BOAT | FURNITURE  | COMPUTER    | OFFICE & MEDICAL EQUIPMENT | TOTAL          |
|-----------------------------|----------------|-----------------|------------|-------------|------------|------------|-------------|----------------------------|----------------|
| Cost                        | KShs           | KShs            | KShs       | KShs        | KShs       | KShs       | KShs        | K                          | KShs           |
| At 1st July 2018            | 15,767,933,880 | 3,899,579,738   | -          | 319,024,842 | 2,638,103  | 81,297,903 | 102,671,976 | 813,709,457                | 20,986,855,899 |
| Additions                   | -              | 23,505,203      | -          | -           | -          | 10,117,414 | 48,912,262  | 26,965,184                 | 109,500,063    |
| Disposals                   |                |                 |            |             |            |            |             |                            | -              |
| Revaluation                 |                |                 |            |             |            |            |             |                            | -              |
| Transfers/adjustments       |                |                 |            |             |            |            |             |                            | -              |
| At 30th June 2019           | 15,767,933,880 | 3,923,084,941   | -          | 319,024,842 | 2,638,103  | 91,415,317 | 151,584,238 | 840,674,641                | 21,096,355,962 |
| Additions                   |                | 37,483,427      | 30,508,190 | 26,586,000  | -          | 7,542,796  | 23,454,276  | 38,704,825                 | 164,279,514    |
| Disposals                   |                |                 |            |             |            |            |             |                            | -              |
| Transfer/adjustments        |                |                 |            |             |            |            |             |                            | -              |
| At 30th June 2020           | 15,767,933,880 | 3,960,568,368   | 30,508,190 | 345,610,842 | 2,638,103  | 98,958,113 | 175,038,514 | 879,379,466                | 21,260,635,476 |
| Depreciation and impairment |                |                 |            |             |            |            |             |                            | -              |
| At 1st July 2018            |                | 375,951,800     |            | 128,006,597 | 923,335    | 21,242,644 | 93,008,224  | 345,696,880                | 964,829,480    |
| Depreciation                | -              | 39,230,849      |            | 15,951,242  | 131,905    | 2,285,383  | 17,531,666  | 21,016,866                 | 96,147,911     |
| Disposals                   |                |                 |            |             |            |            |             |                            | -              |
| Impairment                  |                |                 |            |             |            |            |             |                            | -              |
| At 30th June 2019           | -              | 415,182,649     | -          | 143,957,839 | 1,055,240  | 23,528,027 | 110,539,890 | 366,713,746                | 1,060,977,391  |
| Depreciation                |                | 39,605,683      | 762,705    | 16,374,156  | 131,905    | 2,473,953  | 21,632,715  | 21,982,356                 | 102,963,472    |



## For the year ended June 30, 2020

|                          |                |               |            |             |           |            |             |             |                |
|--------------------------|----------------|---------------|------------|-------------|-----------|------------|-------------|-------------|----------------|
| Disposals                |                |               |            |             |           |            |             |             | -              |
| Impairment               |                |               |            |             |           |            |             |             | -              |
| Transfer/adjustment      |                |               |            |             |           |            |             |             | -              |
| Fully Depreciated Assets |                |               |            |             |           |            |             |             | -              |
| At 30th June 2020        | -              | 454,788,332   | 762,705    | 160,331,995 | 1,187,145 | 26,001,980 | 132,172,605 | 388,696,102 | 1,163,940,863  |
| Net book values          |                |               |            |             |           |            |             |             | -              |
| At 30th June 2020        | 15,767,933,880 | 3,505,780,036 | 29,745,485 | 185,278,847 | 1,450,958 | 72,956,133 | 42,865,910  | 490,683,364 | 20,096,694,613 |
| At 30th June 2019        | 15,767,933,880 | 3,507,902,292 | -          | 175,067,003 | 1,582,863 | 67,887,290 | 41,044,348  | 473,960,895 | 20,035,378,571 |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**23. INTANGIBLE ASSETS-SOFTWARE**

| Description                        | 2019-2020   | 2018-2019   |
|------------------------------------|-------------|-------------|
|                                    | KShs        | KShs        |
| <b>Cost</b>                        |             |             |
| At beginning of the year           | 112,323,890 | 68,151,763  |
| Additions-internal development     | 48,219,418  | 44,172,127  |
| At end of the year                 | 160,543,308 | 112,323,890 |
| <b>Amortization and impairment</b> |             |             |
| At beginning of the year           | 79,194,795  | 68,128,952  |
| Amortization                       | 23,097,886  | 11,065,843  |
| At end of the year                 | 102,292,681 | 79,194,795  |
| NBV                                | 58,250,627  | 33,129,095  |

**24. INVESTMENT PROPERTY**

| Description              | 2019-2020     | 2018-2019     |
|--------------------------|---------------|---------------|
|                          | KShs          | KShs          |
| At beginning of the year | 1,049,555,052 | 1,002,663,552 |
| Additions                | 6,189,882     | 46,891,500    |
| At end of the year       | 1,055,744,934 | 1,049,555,052 |
| <b>Depreciation</b>      |               |               |
| At beginning of the year | 86,549,655    | 76,054,105    |
| Depreciation             | 10,557,449    | 10,495,550    |
| At end of the year       | 97,107,104    | 86,549,655    |
| NBV                      | 958,637,830   | 963,005,397   |

**25. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

| Description                           | 2019-2020          | 2018-2019          |
|---------------------------------------|--------------------|--------------------|
|                                       | KShs               | KShs               |
| Graduate School prepayments           | 23,062,385         | 31,822,896         |
| Mortgage Scheme                       | 76,055,523         | 76,059,523         |
| Retention Money                       | 22,455,092         | 22,477,772         |
| Un-remitted Statutory Deductions      | 81,688,661         | 4,839,314          |
| Staff Over deductions                 | -                  | 753,326            |
| Advances to Centres                   | -                  | 446                |
| Suppliers Control Account             | 274,979,927        | 22,526,609         |
| Unremitted staff deductions           | 237,913,575        | 1,780,575          |
| JKUAT Remittance                      | 3,551,623          | 3,551,623          |
| External Grants                       |                    | 54,524,120         |
| <b>Total trade and other payables</b> | <b>719,706,788</b> | <b>218,336,205</b> |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**26. REFUNDABLE DEPOSITS FROM CUSTOMERS**

| Description                                     | 2019-2020         | 2018-2019         |
|---|-------------------|-------------------|
|   | KShs              | KShs              |
| Caution Money                                   | 4,788,000         | 4,764,000         |
| Research Fees                                   | 204,669           | 204,669           |
| Other Deposits                                  | 43,989,698        | 30,780,537        |
| <b>Total Refundable Deposits from Customers</b> | <b>48,982,367</b> | <b>35,749,206</b> |

**27. GRANT FUND**

| Description           | 2019-2020          | 2018-2019          |
|-----------------------|--------------------|--------------------|
|                       | KShs               | KShs               |
| Current Account       | 851,970,644        | 547,642,310        |
| Fixed Deposit         |                    | 379,238,750        |
| <b>Total deposits</b> | <b>851,970,644</b> | <b>926,881,060</b> |

**28. BANK OVERDRAFT**

| Description  | 2019-2020    | 2018-2019 |
|--|--------------|-----------|
|  | KShs         | KShs      |
| Balance at beginning of the period                   | -            |           |
| External borrowings during the year                  | -            |           |
| Domestic borrowings during the year                  | 3,040        |           |
| Repayments of external borrowings during the period  |              |           |
| Repayments of domestics borrowings during the period |              |           |
| Balance at end of the period                         | <b>3,040</b> |           |

**29. DEFERRED INCOME**

| Description                  | 2019-2020          | 2018-2019          |
|------------------------------|--------------------|--------------------|
|                              | KShs               | KShs               |
| National government          | 171,560,226        | 159,796,910        |
| Collaborators                |                    |                    |
| <b>Total deferred income</b> | <b>171,560,226</b> | <b>159,796,910</b> |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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

**30. CASH GENERATED FROM OPERATIONS**

|   |    | <b>2019-2020</b>     | <b>2018-2019</b>     |
|---|----|----------------------|----------------------|
|   |    | <b>Kshs</b>          | <b>Kshs</b>          |
| <b>Cash flows from operating activities</b>                   |    |                      |                      |
| <b>Receipts</b>   |    |                      |                      |
| Transfer from Governments                                     |    | 2,951,288,215        | 1,855,385,079        |
| Collaborators Funds   |    | 4,419,799,754        | 4,326,305,598        |
| Rental revenue from facilities and equipment                  |    | 26,277,250           | 28,330,708           |
| Finance income - external investments                         |    | 30,713,177           | 30,506,394           |
| Revenue Generating Activities                                 |    | 239,694,084          | 114,610,355          |
| Graduate Program (ITROMID)                                    |    | 19,663,890           | 19,435,928           |
| Miscellaneous Income  |    | 8,244,910            | 1,956,244            |
| Overheads   |    | 209,969,463          | 264,901,864          |
| <b>Total Receipts</b>   |    | <b>7,905,650,742</b> | <b>6,641,432,170</b> |
| <b>Payments</b>   |    |                      |                      |
| Use of goods and services                                     |    | 125,655,277          | 84,195,822           |
| Employee costs  |    | 2,243,301,000        | 1,638,230,146        |
| Remuneration of directors                                     |    | 51,638,012           | 35,573,046           |
| Repairs and maintenance                                       |    | 22,881,295           | 22,150,415           |
| Contracted services   |    | 54,898,419           | 53,767,913           |
| Collaborators Expenses  |    | 4,390,597,132        | 4,326,305,598        |
| Operating Expenses  |    | 202,913,738          | 63,971,579           |
| General Expenses  |    | 617,357,335          | 463,923,464          |
| <b>Total Payments</b>   |    | <b>7,709,242,210</b> | <b>6,688,117,984</b> |
| <b>Surplus before Working Capital Changes</b>                 | 45 | <b>196,408,533</b>   | <b>(46,685,814)</b>  |
| <b>Working Capital Changes</b>                                |    |                      |                      |
| Decrease/(Increase) in receivables                            |    | (61,474,819)         | (4,050,707)          |
| ( Increase)/Decrease in Short term deposits                   |    | (96,737,700)         | 91,998,950           |
| Increase in payables  |    | 501,370,583          | (245,849,807)        |
| Decrease in Deferred Income                                   |    | 11,763,316           | 85,921,012           |
| Increase in Refundable deposits from customers                |    | 13,233,161           | (18,907,070)         |
| (Decrease) in bank overdraft                                  |    | 3,040                | (158,854)            |
| Increase in Collaborators Funds - payment received in advance |    | (74,910,416)         | 251,811,115          |
| <b>Net cash flows from operating activities</b>               |    | <b>489,655,697</b>   | <b>114,078,825</b>   |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**19. APPENDICES**

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

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

| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments   | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|--|-----------------------------------|--|
| 1  | <p><b>Excess Exchequer Development Releases</b></p> <p>Included in the statement of financial performance for the year ended 30 June 2017 is GOK funding balance of Kshs. 1,834,962,265. This includes an amount of Kshs. 35,500,000 received as development exchequer from the Ministry of Health. However, a review of the Institute's budget and the Ministry of Health approved development budget for the institute revealed that the only amount budgeted for was Kshs. 5,000,000 for perimeter wall fence in Taita Taveta and Kirinyaga. The excess development exchequer of Kshs. 30,500,000 has not been explained or reconciled.</p> <p>Consequently, the propriety of GOK funding of Kshs. 30,500,000 for the period ending 30 June 2017 could be confirmed.</p> | The funds were budgeted for as per approved 2016/2017 budget and Government printed estimates and were to be utilized as follows: |  | Resolved                          |  |
| 2.   | <p>• <b>Unsupported Sundry Income-Overheads</b></p> <p>Included in the statement of financial performance for the year ended 30 June 2017 is sundry income of Ksh. 138,596,264 and whose supporting documents were not availed for audit review.</p> <p>Consequently, it has not been possible to confirm the accuracy and completeness of sundry income amount of 138,596,264 included in the statement of financial performance for the year ended 30 June 2017.</p>  | These documents are available for inspection and review.  |  | Resolved                          |  |
|  | <p><b>Human Resources</b></p> <p>• <b>Two thirds Basic Rule</b></p> <p>Included in employee costs of Kshs. 1,513,076,142 in the statement of financial performance for the year ended 30 June 2017 is personal emoluments of Kshs. 824, 788,456. A review of the Institute's payroll revealed that fifty (50) employees suffered deductions beyond a third (1/3) of their basic salary contrary to Public Service Commission human resource policies and procedures manual (sec Ci sub</p>  | The management noted that some of the officers were not adhering to this rule. Going forward, the management                      | Assistant Director Human resource                              | Resolved                          |  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |   |  |  |          |  |
|--|---|--|--|----------|--|
|  | <p>sec 3) which require employees to retain at least a third of their salary.<br/> The Institute is therefore in breach of the law.</p>   | <p>has ensured that no officer's salary is below 1/3 of the basic.</p>   |  |          |  |
|  | <p>• <b>Accumulated Leave</b></p> <p>Included in employee costs of Kshs, 1,512,531,437 in the statement of financial performance for the year ended 30 June 2017 is passage and leave allowance of Kshs. 6,948,500. A review of the Institute's leave schedule revealed that employees were accumulating leave days beyond the allowed maximum of 45 days in a year thus contravening Public Service Commission human resource policies and procedure manual and KEMRI HR policy.</p> <p>• <b>Un reconciled Staff Cost</b></p> <p>Included in the statement of financial performance for the year ended 30 June 2017 is employee costs of Kshs. 1,512,513,437. A review of the payroll summaries for the year under review showed an amount of Kshs. 1,506,531,437 results to unreconciled variance of Kshs. 6,492,751.</p> <p>Consequently, it has not been possible to confirm the accuracy, validity and propriety of the employee cost of Kshs. 1,512,531,437 included in the statement of financial performance for the year 30 June 2017.</p> | <p>As noted some officers, due to exigencies of work, some officers have accumulated beyond the allowed maximum of 45 days. The officers have since been plan their word and ensure that they proceed on leave within the 18 months as stipulated in the Employment Act.</p> <p><b>Unreconciled staff costs:</b><br/> This related to payment honoraria to persons not in the payroll like the lectures in the graduate school. The relevant ledgers are available for review.</p> |  | Resolved |  |
|  |   |  |  | Resolved |  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |   |  |          |  |
|--|--|---|--|----------|--|
|  | <p><b>Collaborators' Funds</b></p> <p><b>5.1 Overpaid Personal Emoluments</b></p> <p>Included in Collaborator's funds of Kshs.4, 461,927,815 in the statement of financial performance for the year ended 30 June 2017 is an amount of Kshs 3,253,118,910 in respect of staff costs comprising of Kshs. 3,243,128,312.00, Kshs., and Kshs. 9,990,598 for external and internal funding respectively. However, a review of schedule supporting external funding of Kshs. 3,243,243,128,312.00 revealed that the stated amount is net of Ksh. 9,840,934 being overpayments the same. The Institute has not explained this state of affairs.</p>  | <p>The amount of <b>KES. 9,840,934</b> netted off from the Staff costs relate to transfer between projects in respect of personnel costs and honoraria. The inter-project transfers are due to the fact that some employees work for different projects but only have one pay point in the payroll.</p> |  | Resolved |  |
|  | <p><b>5.2 Credits on Bank Charges</b></p> <p>Included in Collaborators' Funds of Kshs. 4,461,927,815 is also an amount of Kshs. 2,156,804 in respect of bank charges comprising of Kshs. 2,014,888 and Kshs. 141,916 for external and internal funding respectively. However, a review of schedule supporting external funding of Kshs. 2,014,888 revealed that the stated amount is net of Kshs. 368,553 being credits on the same. The Institute has not also explained this state of affairs. Consequently, it has not been possible to confirm the accuracy, validity and propriety of the collaborators fund of Kshs. 4,461,927,815 included in the statement of financial performance for the year ended 30 June 2017.</p> | <p>The amount of <b>KES. 368,553.20</b> netted off the bank charges expenditure relates to Cashbook adjustment of <b>KES. 357,000</b> for Project E1742 and <b>KES. 11,553.20</b> transfer of expenditure on close out from A/C 1328 &amp; E1317</p>  |  | Resolved |  |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |   |  |  |          |  |
|--|---|--|--|----------|--|
|  | <p><b>5.3 Overpaid Laboratory Supplies</b><br/> Included in Collaborator's Funds of Kshs. 4,461,927,815 is an amount of Kshs. 93, 172,932 in respect of Laboratory supplies comprising of Kshs. 49,552,097 and Kshs. 43,620,835 for external and internal funding respectively. However, a review of schedules supporting external funding of Kshs. 49,552,097 revealed that the stated amount is net of Kshs. 236,342 being overpayments on the same. The Institute has not supported over payments of Kshs. 236,342 and the reason for the net off of the actual amount of Laboratory and supplies.</p> | <p>The amount of <b>KES. 236,342</b> netted off the Laboratory supplies expenditure is a net off arising from cashbook adjustment (CR) of <b>KES. 569,100</b> relating to reversal of overcast in payment to Beck ton Dickinson International KES. <b>200,000(DR)</b> and <b>KES 132,758(DR)</b> being lab expenses incurred under the project E 1332.</p> |  | Resolved |  |
|  | <p><b>5.4 Overpaid Travelling and Accommodations</b><br/> Included in Collaborator's funds Collaborators' Funds of Kshs. 4,461,927,815 is an amount of Kshs. 211,468,521 in respect of travelling and accommodation comprising of Kshs. 162,006,661 and Kshs. 49,461,860 for external and internal funding respectively. However, a review of schedule supporting external funding of Kshs. 162,006,661 revealed that the stated amount is net of Kshs. 33,853 being overpayments on the same that has not been supported or explained.</p>   | <p>The amount of <b>KES. 33,853.15</b> netted of the Travelling and accommodation expenditure includes <b>KES. 21,253.15</b> that relates to cash book adjustment (reversal of payment to commissionaire VAT which remained unrepresented) and <b>KES. 12,600</b> being reversal of double payment to Felix Maloba.</p>                                    |  | Resolved |  |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |  |  |                            |  |
|--|--|--|--|----------------------------|--|
|  | <p><b>5.5 Overpaid Other Operating Expenses</b><br/> Included in collaborators' Funds of Kshs. 4,461,927,815 is an amount of Kshs. 821,797,042 in respect of other operating expenses comprising of Kshs. 819,736,078 and Kshs. 2,060,962 for external and internal funding respectively. However, a review of schedules supporting external funding of Kshs. 819,736,078 revealed that the stated amount is net of Kshs. 91,907,241 being overpayments on the same that has not been supported. Consequently, it has not been possible to confirm the accuracy, validity and propriety of the collaborators fund of Kshs. 461,927,815 included in the statement of financial performance for the year ended 30 June, 2017.</p>  | <p>The amount of KES 91,907,241.93 netted off the other operating expenses relate to mainly from collaborators overhead entries between Account E 1002 and other projects. It also includes inter- project transfers in respect of other operational costs.</p>  |  | Resolved                   |  |
|  | <p><b>5.0 Administrative Costs</b><br/> <b>Legal Expenses</b><br/> Included in the administrative costs of Kshs. 326,732,231 in the statement of financial performance for the year ended 30 June 2017 is Kshs. 11,083,790.75 paid to private firms. However, the Institute had not sought approval and issuance of no-objection from the Attorney General's office to continue using the services of the same private law firms.<br/> Consequently, the Institute did not comply with Attorney General's Circular Reference Ag/CON/6/D/144/Vol. II of 6<sup>th</sup> April, 2017 on legal expenses and the propriety of the administrative costs of Kshs. 326,732,231 included in the statement of financial performance for the year ended 30 June 2017 could, therefore, not be determined.</p> | <p>The amount of KES. <b>11,083,790.75</b> includes monies paid out in settlement of court awards arising from vendor debts e.g. CDC. Ordinarily, these awards are settled through the vendors Advocates; whose names appear in the ledger and are recorded as private lawyers. These are therefore not the Institute's private lawyers. In future we shall be accounts these at specific list and not legal fees.</p> |  | The matter is in progress. |  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |   |  |  |             |  |
|--|---|--|--|-------------|--|
|  |   | <p>Whenever the Institute has engaged private lawyers, the same was done in line with provisions of the existing laws including the Advocates Remuneration Order. More recently and following classification from the AG's office (AG/CON/6/144 dated 6th June, 2017 VOL II), KEMRI has requested for ipso-facto approval as a matter of abundant caution.</p> |  |             |  |
|  | <p><b>Cash and Cash Equivalents</b></p> <p><b>Operating Unlawful and Undisclosed Bank accounts</b><br/> Included in the statement of financial position as at 30 June 2017 is cash and cash equivalents of Kshs. 1,029,775,253. A review of bank account operated by the Institute revealed that the Institute operated twenty-five (25) bank accounts held in Kenya Commercial Bank, Co-operative Bank of Kenya and Family Bank of Kenya without treasury approval.<br/> The Institute failed to comply with the Public Finance Management Act, 2012 Section 28 (10) which require National Treasury to authorize the opening, operationalize and closing of bank and sub-accounts for all National Government entities.<br/> Further, a review bank accounts operated by the Institute and the supporting documents revealed that the Institute excluded from the cash and cash equivalents of Kshs. 1,029,775,253 an amount of Kshs. 22,331,178 for KEMRI-Oxford University as analyzed below;</p> | <p>The account was opened for purposes of managing funds received for the KEMRI/Wellcome Trust, Kilifi. The account is maintained by our partner KEMRI Wellcome Trust for paying of staff salaries in Kilifi. An MOU was signed between Government of Kenya, Director</p>  |  | In progress |  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

| Account Name   | Bank | Certificate No. | Account No. | Amount as per C    | KEMRI, & Welcome Trust.   |  |  |  |
|--|------|-----------------|-------------|--------------------|---|--|--|--|
| KEMRI - Oxford University  | KCB  | CERT1718814268  | 11790138559 | Kshs 22,331,178.90 | The institute opened this account way before 2012   |  |  |  |
| <p>It was also noted that RCTP Account No. 114166879 changed signatories in the course of the year. The Institute has neither explained why the amounts could not form part of cash and cash equivalent balance of Kshs. 1,029,775,253 nor accounted for the transactions on this financial position as at 30 June 2017.</p> |      |                 |             |                    | <p>The Board minutes approving the delegation of payment of payroll is available. The MOU Between the Government of Kenya and Welcome Trust Research Programme dated 17<sup>th</sup> November 2016 provides for Audit of Financial Statements by National treasury. The Financial statements bank reconciliation and cash book are maintained at the KEMRI/Wellcome Trust, Kilifi. The funds raised do not belong to the institute but to one of our partners and do not pass through our account. The bank is fully operated by the partners</p> |  |  |  |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |   |   |  |          |  |
|--|---|---|--|----------|--|
|  | <p><b>Bank Reconciliation</b><br/> <b>Exchequer Account 1104161362</b></p> <p>The Bank reconciliation statement for the exchequer cash book (<b>Account No.1104161362</b>) as at 30 June 2017, reflects payments in cash book not recorded in the bank statement totalling KShs. 27,322,287.51 which includes an amount of KShs. 45,459.43 in respect of stale cheques. No reason has been given for failure to replace the cheques or having the same credited back in the cash book. The statement also reflects receipts in the bank statement not recorded in the cash book totalling KShs. 657,747.20 out of which an amount of KShs. 108,145.27 has been outstanding for more than six months. No reason has been given for delay in entering the amount in the cash book. The statement further reflects payments in bank statement not in cash book totalling 3,662,825.24 out of which Kshs. 2,532,148.74 has been outstanding for more than six months. No reason has been provided for the delay in recording these payments in the cash book. The statement also reflects receipts of Kshs. 194,689.40 in the cash book but not recorded in the bank statement. No explanation has been given for the delay in recording the payments in the cashbook. The management has not provided an explanation on this state of affairs.</p> | <p>The stale cheques were credited in the cash book. The receipts of Kes. 657,747.20 in the bank statement have been recorded in the cash book. The Kes. 2,532,144.74 has been identified as deductions from payroll.</p> |  |          |  |
|  | <p><b>7.2.2 RGA account No. 1104174529</b></p> <p>The Bank reconciliation statement for the RGA cashbook (<b>Account No. 1104174529</b>) as at 30 June 2017 reflects payments in the cashbook not recorded in the bank statement totalling KShs. 764,880, which includes an amount of Kshs. 719,986 in respect of stale cheques. No reason has been given for failure to replace the cheques or having the same credited back in the cashbook. The statement also reflects receipts in the bank statement not recorded in the cash book totalling KShs. 7,892,608.10 out of which an amount of Kshs.2,335,462 has been outstanding for more than six months. No reason has been given for the delay in entering the amount in the cashbook. In addition, the statement reflects receipts of Kshs. 1,917,994.70 in the cashbook but not recorded in the bank statement. as in previous instance, no explanation has been given for the inordinate delay.</p>   | <p>The stale cheques were credited in the cash book, receipts in bank statement have been recorded in cash book.</p>  |  | Resolved |  |
|  | <p><b>7.2.3 KEMRI EAST AFRICA Account No. 112812667100</b></p> <p>The bank reconciliation statement for the KEMRI East Africa cashbook (<b>account No. 1128126671100</b>) as at 30 June 2017 reflects payments in bank statement not in cash book totalling to KShs. 68,255 out of which Kshs. 63,910 has been outstanding for more than six months. No reason has been provided for the delay in recording these payments in the cashbook.</p>   | <p>The stale cheque of Kes.63,210 has been reversed in 2017/2018</p>  |  | Resolved |  |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |   |   |  |          |  |
|--|---|---|--|----------|--|
|  | <p><b>7.2.4 KEMRI JICA Production Department account 1104166194</b></p> <p>The bank reconciliation statement for KEMRI JICA Production department cashbook 9 Account N. 1104166194) as at 30 June 2017 reflects payments in cash book not recorded in the bank statement totalling KShs. 223,337.20 which includes an amount of Kshs. 92,627.20 in respect of stale cheques. No reason has been given for failure to replace the cheques or having the same credited back in the cash book</p> <p>Consequently, it has not been possible to confirm the accuracy, validity and propriety of the cash and cash equivalent balance of Ksh. 1,029,775,253 included in the statement of financial position as at 30 June 2017.</p>  | <p>The stale cheque of Kes. 92,627.20 were reversed in 2017/2018.</p>   |  | Resolved |  |
|  | <p><b>7.3 Unexplained foreign Currency Translation Rate.</b></p> <p>Included in the cash and cash equivalents amount of Kshs 1,029,775,253 is an amount of Kshs. 17,467,856 (USD 149,591.98) and Kshs. 4,693,750 (\$46,044.24) and whose translation rate and reconciliations were not availed for audit review.</p> <p>Consequently, it has not been possible to confirm the accuracy, validity and propriety of the cash and cash equivalent balance of Kshs. 1,029,775,253 included in the statement of financial position as at 30 June 2017.</p>   | <p>The Bank balance and translation date as disclosed in the Financial Statements is based on KCB advise.</p>   |  |          |  |
|  | <p><b>Unsupported Short Term Deposit</b></p> <p>Included in the statement of financial position as at 30 June 2017 is short term deposits amounting to Kshs. 530,000,000 which comprises of Kshs. 500,000,000 invested in CBK Treasury bills and Kshs. 30,000,000 invested in Kenya Commercial bank.</p> <p>Analysis of two years' financial statements 2015/2016 and 2016/17 reflects a gap/deficit of Kshs. 66,769,206 and 28,565,808 respectively. The management has not provided the basis of recognizing Kshs. 530,000,000 as a surplus and thus available for investment. Further, no Treasury approval has been provided for investing Kshs. 30,000,000 in KCB. a further review of the end year support documents shows that the bank confirmation certificates from CBK showed a nil balance availed for the fixed deposit account in KCB reflected Kshs. 35,817,808.20. the Institute has not reconciled the resulting differences. Consequently, the accuracy, validity and existence of the short-term deposit variance of Kshs. 530,000,000 included in the statement of financial position as at 30 June 2017 could not be determined.</p> | <p>The National Treasury Circular No. 15/16 directed that no State Corporation should invest surplus funds in any Financial Institutions/b banks without approval from National Treasury other than investment in Treasury Bills and bonds. The kes 500M had been transferred to CBK in June who, wired it back to KEMRI after the applied treasury bills</p> |  | Resolved |  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |  |  |               |  |
|--|--|--|--|---------------|--|
|  |  | bid failed.<br>The deposit of Kes. 30,000,000 is in an escrow account in Kenya Commercial Bank following a court order. The funds are held in interest earning account in the joint name of KEMRI and Registrar of High Court  |  |               |  |
|  | <b>Trade and Other Receivables</b><br><b>Deposit with the Institute Lawyers</b><br>As reported in 2015/2016. trade and other receivables balance of Kshs. 510,735,379 included in the statement of financial position as at 30 June 2017 is net of an amount of Kshs. 120,000,000 was not taken into account in arriving at the balance. | The amount of KES 120,000,000 was deposited with our Institute's lawyers in the year 2000 in regard to the KEMRI residential staff housing project. The matter is being investigated by the EACC and the Office of DPP. However, the recoverability of the debt is doubtful and therefore it is unlikely that any interest will be received, and thus, providing for interest receivable accrued may not be prudent. |  | Tabled in PIC |  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |   |  |     |   |  |
|--|---|--|-----|---|--|
|  | <ul style="list-style-type: none"> <li><b>Temporary Imprest</b></li> </ul> <p>The trade and other receivables balance of Kshs. 510,735,379 as at 30 June 2017 includes temporary imprest amounting to KShs. 18,308,554.60 Which had not been surrendered at the close of the Financial Year. Further, this amount for un surrendered imprests included Kshs. 7,625,903.65 as advances to centres and long outstanding temporary imprest of Kshs. 2,795,258.61 which relates to officers who have since left the Institute.</p> <p>The Public Finance Management (National Government) Regulation 2015 Section 93(5) requires a holder of temporary imprest to account or surrender the imprest within seven working days after returning to duty station. Consequently, the management failed to comply with the Public Finance Management (National Government) regulation, 2015 Section 93(5) on requirement of temporary imprest. 2017</p> | <p>KES. 2,795,258.60 relate to officers who are deceased, have retired, resigned and/or dismissed on disciplinary grounds. They have not been cleared. Imprest held by deceased persons alone amounted to KES. <b>744,607.10</b>. The Management has invested in a Human Resource Management System that shall pick out such cases in future. In the meantime, a process of write-off of bad debts has been initiated.</p> | ADF | Tabled in Board Committee in FY 2020/2021 |  |
|--|---|--|-----|---|--|

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |   |  |          |  |
|--|--|---|--|----------|--|
|  | <p><b>7. Unsupported Impairment allowance</b><br/> Excluded from trade and other receivables balance of Ksh. 510,735,379 is Kshs. 163,609,492 in respect of impairment allowance which has not been supported.</p> | <p>The unsupported impairment allowance of Kes. 163,609,492 includes the amount of Kes. 120,000,000 deposited with Sande Makhandia and Company Advocates. Kes. 43,609,492 comprise of provision of doubtful debt for students who have since discontinued from the program for the graduate school. The impairment allowance of Kes. 163,609,492 include the amount of Kes. 120,000,000 deposited with Sande Makhandia and Company Advocates in 2000 FY. The management has followed up the issue and handed it over to the EACC. However, the funds have unlikely to be recovered and thus the BOM decided to provide for the allowance.</p> |  | Resolved |  |
|--|--|---|--|----------|--|



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|    |  |              |           |               | <p>Likewise, the 43m is funds that had been invoiced to the ITROMID students over the years. the students dropped out and thus is unlikely for us to recover the same</p> |  |   |               |         |           |               |   |              |              |          |           |   |       |       |           |            |  |  |  |             |  |
|----|--|--------------|-----------|---------------|---|--|---|---------------|---------|-----------|---------------|---|--------------|--------------|----------|-----------|---|-------|-------|-----------|------------|--|--|--|-------------|--|
|    | <ul style="list-style-type: none"> <li>Unsupported Over Remitted Statutory deduction (withholding tax) which has not been explained or supported.</li> </ul> <p>In the circumstance, it has not been possible to confirm the validity and accuracy of the trade and other receivables balance of Kshs. 510,735,379 included in the statement of financial position and whether the same is fairly stated as at 30 June 2017.</p>   |              |           |               | <p>The amount of VAT and withholding tax pending relates to amount deducted from various suppliers. Documents are available for inspection.</p>                           |  |   |               |         |           |               |   |              |              |          |           |   |       |       |           |            |  |  |  |             |  |
|    | <ul style="list-style-type: none"> <li>property, Plant and Equipment</li> <li>Land</li> </ul> <p>As previously reported, the property, plant and equipment balance of Kshs. 19,920,505,937 included in the statement of financial position as at 30 June 2017 includes various parcels of land totalling KShs. 4,240,135,760 as summarized below:</p> <table> <tr> <th>No</th> <th>Location</th> <th>County</th> <th>Acreage</th> <th></th> </tr> <tr> <td>1</td> <td>Mbagathi Road</td> <td>Nairobi</td> <td>2.4282 ha</td> <td>4,143,768,160</td> </tr> <tr> <td>2</td> <td>Taita Taveta</td> <td>Taita Taveta</td> <td>15 Acres</td> <td>8,400,000</td> </tr> <tr> <td>3</td> <td>Busia</td> <td>Busia</td> <td>100 Acres</td> <td>87.967,600</td> </tr> </table> | No           | Location  | County        | Acreage   |  | 1 | Mbagathi Road | Nairobi | 2.4282 ha | 4,143,768,160 | 2 | Taita Taveta | Taita Taveta | 15 Acres | 8,400,000 | 3 | Busia | Busia | 100 Acres | 87.967,600 |  | <p><b>Kilifi (2.705 ha) Copy of title deed available as evidenced that the property is registered in KEMRI's name.</b></p> <p><b>Mbagathi Road (2.4282 ha)</b></p> <p>As earlier indicated, this title was used by the</p> |  | In progress |  |
| No | Location   | County       | Acreage   |               |   |  |   |               |         |           |               |   |              |              |          |           |   |       |       |           |            |  |  |  |             |  |
| 1  | Mbagathi Road  | Nairobi      | 2.4282 ha | 4,143,768,160 |   |  |   |               |         |           |               |   |              |              |          |           |   |       |       |           |            |  |  |  |             |  |
| 2  | Taita Taveta   | Taita Taveta | 15 Acres  | 8,400,000     |   |  |   |               |         |           |               |   |              |              |          |           |   |       |       |           |            |  |  |  |             |  |
| 3  | Busia  | Busia        | 100 Acres | 87.967,600    |   |  |   |               |         |           |               |   |              |              |          |           |   |       |       |           |            |  |  |  |             |  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |   |  |  |  |
|--|--|---|--|--|--|
|  | <p><b>Total</b></p> <p>4,240,135,760</p> <p>However, the title/ownership documents in respect of the above parcels of land were not availed for audit verification.</p>  | <p>developer as collateral to borrow funds from the National Bank of Kenya. The loan was fully paid to the bank and the title has since moved from the bank and is with the National Treasury. National Treasury is in the process of transferring the title deed from the developer's name to that of KEMRI.</p> <p><b>Taita Taveta (10 Acres) and (5 Acres)</b></p> <p>These properties titles have been acquired.</p> <p><b>KEMRI Busia (100 Acres)</b></p> <p>The documents for issuance of the title have been acquired.</p> |  |  |  |
|  | <p>• <b>Residential Staff Housing</b></p> <p>As similarly reported in year 2014/15, the property, plant and equipment balance of Kshs. 19,920,505,937 as at 30 June 2017 also includes a staff housing project valued at Kshs. 476,001,556 located on a 2.4282 ha area along Mbagathi Road-Nairobi and against which a developer had used the title documents as collateral to borrow funds from the National Bank of Kenya. In an effort to have the documents discharged, and as similarly reported in 2014/15, the Government spent a sum of Kshs. 280 Million in the year 1993 and a further amount of Kshs. 142 Million in the year 2000 towards settling the developer account with the Bank. However, and in spite of</p> | <p>The government has fully paid the bank and the title has since moved from the bank and is with the National Treasury. We are, with the help of the Ministry of Health and Ministry of</p>  |  |  |  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |   |  |             |  |
|--|--|---|--|-------------|--|
|  | <p>payments totalling KShs. 422 Million having been made thus settling the debt in full, the documents had not been discharged to KEMRI as 30 June 2017.</p> <p>In the circumstances, it has not been possible to ascertain the ownership status of the parcels of land and whether the property, plant and equipment balance of Kshs. 19,920,505,93 as at 30 June 2017 is fairly stated.</p>  | Land following up the process of transferring the title deed from the developer's name to that of KEMRI   |  |             |  |
|  | <ul style="list-style-type: none"> <li>• <b>Intangible assets Software</b> <ul style="list-style-type: none"> <li>• <b>Payment for Intangible Assets not delivered</b></li> </ul> </li> </ul> <p>As reported in the year 2014/15, included in the statement of financial position as at 30 June 2017 is intangible asset which had cost Kshs. 68,151,763 as per note 22 and out of which Kshs. 22,904,126 relate to payment for an Enterprise resource Planning (ERP) software for use in KEMRI 14 modules. KEMRI had sourced for this service from M/S alliance Technologies on 24<sup>th</sup> August 2011 at a contract sum of Kshs. 24,865,500. The installation and commissioning of this software was to take one year up to 2<sup>nd</sup> July 2012. Despite the 92% payment of the contact sum by 30 June 2017 it was observed that only 4 out of 14 modules had been installed. KEMRI, therefore, had paid and amortized intangible assets not received.</p> <p>A review of the intangible assets movement schedule disclosed in note 22 to the financial statements revealed an impairment loss of Kshs. 5,822,232 which had not been supported nor explained.</p> <p>Consequently, it has not possible to confirm the validity and accuracy of the intangible asset net book value of Kshs. 3,085,093 in the statement of financial position as at 30 June,2017.</p> | <p>The Intangible Asset note in Financial Statements provided for adjustment of Accumulated depreciation which has been supported.</p> <p>The Amortization of Kes.12,249,131.15 is provided on asset brought on 2014/2016 at the of 25%</p> |  | In progress |  |
|  | <ul style="list-style-type: none"> <li>• <b>Trade and Other Payables</b></li> </ul> <p>Included in the trade and other payables balance of Kshs. 212,760,116 in the statement of financial position as at 30 June 2017 is Kshs. 787,928 in respect of advance to centres, Kshs. 240,000 in respect of salary in advance, Kshs. 27,618 in respect of salary advance to employees and Kshs. 5,246,854 in respect of temporary imprest which were not supported. Further, the trade and other payables balance of Kshs. 212,760,116 includes unremitted statutory deductions of Kshs. 5,136,244 as disclosed in note 14 to the financial statements which is payable to Kenya Revenue Authority and which has not been supported.</p> <p>In the circumstance, it has not been possible to confirm the accuracy of trade and other payables</p>  | <p>i) The KES. 7,879,258 in respect of Advances to Centres, KES 240,000 in respect to salary advance, KES 27,618 in respect to salary advances to employees and KES 5,246,854 in respect to temporary imprests is</p>                       |  | resolved    |  |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |  |  |          |  |
|--|--|--|--|----------|--|
|  | balance of Kshs. 212,760,116 included in the statement of financial position as at 30 June 2017.   | supported with schedules ii). KES. 212,875,897 the amount payable to KRA KES 5,136,244 is supported with schedule.   |  |          |  |
|  | <ul style="list-style-type: none"> <li> <b>Unsupported Deferred Income</b><br/><br/> Included in the statement of financial position as at 30 June 2017 is deferred income of Kshs. 25,125,898. Information available indicate that a total of Kshs. 224,000,000 was deferred from 2015-2016 financial year and with a change to Kshs. 25,125,898 an amount of Kshs. 198,874,102 was expected to be a transfer to statement of financial performance. a review of statement of financial performance for the period ending 30 June 2017, showed there was no transfer from deferred income. It was therefore not possible to confirm how Kshs. 198, 874,102 deemed to have been transferred from deferred income was accounted for.<br/> In the absence of support documents, it has not been possible to confirm the accuracy of the deferred income balance of Kshs. 25,125,898 included in the statement of financial position as at 30 June 2017. </li> </ul>  | Deferred Income<br>Relates to the Research Funds which were not utilized in the year 2015/2016. The expenditure for the Research is captured under Local Grants. |  | Resolved |  |
|  | <ul style="list-style-type: none"> <li> <b>Unsupported Collaborators Funds.</b><br/><br/> Included in the statement of financial position as at 30 June 2017 is collaborators fund balance of Kshs. 834,772,884. a review of schedules supporting the same showed an opening and closing balance of Kshs. 491,402,509 and Ksh. 376,975,507 which when compared against the prior year and current year closing balances of KShs. 507,885,802 and Kshs. 834,772,884 result to unsupported difference of Kshs. 16,483,293 and Kshs. 457,797,377, respectively, which has not been explained. A further review of the supporting schedules showed unexplained debt for overpayments brought forward and carried down of KShs. 56,002,126 and KShs. 161,400,478, respectively, that have been used to net off the schedule's opening and closing balances respectively. In the absence of supporting documents, it has not been possible to confirm the accuracy of the collaborators funds balance of Ksh. 834,774,884 in the statement of financial position as at 30 June 2017. </li> </ul> | The schedule of collaborators Funds balance of Kes. 834,772,884 comprises of the bank for the collaborators programme as analyzed in the Financial Statements    |  | Resolved |  |



**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |  |  |             |  |
|--|--|--|--|-------------|--|
|  | <ul style="list-style-type: none"> <li><b>KEMRI NCG- Service Level Agreement Loss</b></li> </ul> <p>As previously reported in the year 2015/2016, the Institute signed an MOU with Nairobi City Government (N.C.G) and subsequently entered into a Service Level agreement (SLA) effective 11<sup>th</sup> March 2015 with an objective to collaborating with one another to improve standards of tasting food handlers in the county of Nairobi with a view of ensuring provision of quality and hygienic services to the residents of the County.</p> <p>The Institute committed itself to clause 7.7 (Service Level Credits/penalties) that stipulated that KEMRI were to examine 50,000,000 at the charge rate of Kshs. 1,000 per client. The amount was to be shared at the ratio of 75:25 for KEMRI and Nairobi County Government respectively. Out of the KEMRI share of Kshs.750 per client, Kshs.500 was to cater for operational costs. The clause further stipulated that should KEMRI fail to reach the target of Kshs 50,000 people they were to forfeit their share of the proceeds so as to cover Nairobi county government share fully. This clause appears to have favoured the Nairobi County Government given that the target of 50,000 people that KEMRI was expected to certify was unrealistic and was not based on any baseline survey.</p> <p>Further, a scrutiny of the implementation process for the last 10 months revealed that only a target of 83,665 people was realized as opposed to a target of 518,000 people expected translating to a shortfall of 434,335 people. The shortfall resulted to KEMRI owing Kshs. 120,000,000 to Nairobi County Government emanating from this biased Service Level Agreement. this may result to a loss of Kshs. 120,000,000 should KEMRI pay Nairobi County Government since there was no service rendered on the amount owing.</p> | <p>Management has noted this anomaly and will ensure that any claim touching on the Kes. 120m is not sustained. Indeed, the County Government already made such an attempt and the Institute advised them to refer their claim to Arbitration since no such claim has been filed two (2) years down the line. It is the belief of KEMRI that this matter is settled.</p> |  | In progress |  |
|  | <ul style="list-style-type: none"> <li><b>Partial Deliveries – Food Handlers Programme</b></li> </ul> <p>As previously reported, included in the administrative costs of Kshs. 396,657,988 in the statement of financial performance for the previous year ended 30 June 2016 is a payment of Ksh. 10,123,000 paid in full vide payment vouchers numbers, 38 and 56 for consumables ordered from various suppliers. It was, however, established that the consumables worth Ksh. 5,119,952 paid for had not been delivered. Further, the inspection and acceptance certificate, goods receipts note and delivery notes used to support this irregular payment had been acknowledged by the KEMRI management. In the circumstance, it has not been possible to confirm what action the management has initiated to recover the amount involved.</p>   | <p>As noted, payment for goods that were partially delivered was done in full. This was based on the inspection and acceptance certificates given by the project. The Director has written to Suppliers to supply the balance to the FHP</p>   |  | In progress |  |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  |  | program or<br>repay an<br>equivalent of<br>the<br>difference |  |  |  |
|--|--|--|--|--|--|

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

**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners

| <b>Project title</b>   | <b>Project Number</b> | <b>Donor</b> | <b>Period/ duration</b> | <b>Donor commitment</b> | <b>Separate donor reporting required as per the donor agreement (Yes/No)</b> | <b>Consolidated in these financial statements (Yes/No)</b> |
|--|-----------------------|--------------|-------------------------|-------------------------|--|--|
| 1.<br>1081107900<br>Construction and upgrading of KEMRI Laboratories (Nairobi, Kwale, Busia) |                       | GOK          | 8                       | GOK                     | NO   | YES  |
| 2.<br>1081108400<br>Perimeter fencing around KEMRI parcels of land (Taveta & Kirinyaga)      |                       | GOK          | 8                       | GOK                     | NO   | YES  |
| 3.<br>1081108100<br>Sample Storage Facility- KEMRI- (USA Government)                         |                       | GOK          | 4                       | GOK                     | NO   | YES  |

**Status of Projects completion**

|   | <b>Project</b>   | <b>Total project Cost</b> | <b>Total expended to date</b> | <b>Completion % to date</b> | <b>Budget</b> | <b>Actual</b> | <b>Sources of funds</b> |
|---|--|---------------------------|-------------------------------|-----------------------------|---------------|---------------|-------------------------|
| 1 | 1081107900<br>Construction and upgrading of KEMRI Laboratories (Nairobi, | 635,000,000               | 16,375,000                    | 25                          | 635,000,000   | 635,000,000   | GOK                     |

**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|   |  |             |            |    |             |             |     |
|---|--|-------------|------------|----|-------------|-------------|-----|
|   | Kwale,<br>Busia)   |             |            |    |             |             |     |
| 2 | 1081108400<br>Perimeter<br>fencing<br>around<br>KEMRI<br>parcels of<br>land (Taveta<br>&<br>Kirinyaga) | 135,000,000 | 3,000,000  | 70 | 135,000,000 | 135,000,000 | GOK |
| 3 | 1081108100<br>Sample<br>Storage<br>Facility-<br>KEMRI-<br>(USA<br>Government)                          | 607,000,000 | 10,625,000 | 70 | 607,000,000 | 607,000,000 | GOK |

**APPENDIX III: INTER-ENTITY TRANSFERS**

|    |   |                     |                |   |
|----|---|---------------------|----------------|---|
|    | ENTITY NAME:  |                     |                |   |
|    | Break down of Transfers from the State Department of Ministry of Health |                     |                |   |
|    | FY 2019/2020  |                     |                | FY 2019/2020                                |
|    |   |                     |                |   |
|    |   |                     |                |   |
| a. | Recurrent Grants  |                     |                |   |
|    |   | Bank Statement Date | Amount (KShs)  | Indicate the FY to which the amounts relate |
|    |   | 6TH AUGUST 2019     | 175,369,851.30 | FY 2019/2020                                |
|    |   | 9TH SEPTEMBER 2019  | 175,369,851.30 | FY 2019/2020                                |
|    |   | 9TH SEPTEMBER 2019  | 175,369,851.30 | FY 2019/2020                                |
|    |   | 29TH NOVEMBER 2019  | 175,369,851.30 | FY 2019/2020                                |
|    |   | 29TH NOVEMBER 2019  | 175,369,851.30 | FY 2019/2020                                |
|    |   | 31ST DECEMBER 2019  | 175,369,851.30 | FY 2019/2020                                |
|    |   | 4TH FEBRUARY 2020   | 175,369,851.30 | FY 2019/2020                                |

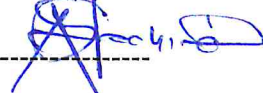


**Kenya Medical Research Institute**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

|           |                           |                            |                         |  |
|-----------|---------------------------|----------------------------|-------------------------|--|
|           |                           | 3RD MARCH 2020             | 175,369,851.30          | FY 2019/2020                                       |
|           |                           | 1ST APRIL 2020             | 175,369,851.30          | FY 2019/2020                                       |
|           |                           | 8TH MAY 2020               | 175,369,851.30          | FY 2019/2020                                       |
|           |                           | 8TH JUNE 2020              | 175,369,851.30          | FY 2019/2020                                       |
|           |                           | 29TH JUNE 2020             | 175,369,851.30          | FY 2019/2020                                       |
|           |                           | 23RD JUNE 2020             | 142,250,000.00          | FY 2019/2020                                       |
|           |                           | <b>Total</b>               | <b>2,246,688,215.60</b> |  |
|           |                           |                            |                         |  |
| <b>b.</b> | <b>Development Grants</b> |                            |                         |  |
|           |                           | <u>Bank Statement Date</u> | <u>Amount (KShs)</u>    | <u>Indicate the FY to which the amounts relate</u> |
|           |                           | 30TH JANUARY 2020          | 115,800,000.00          | FY 2019/2020                                       |
|           |                           | 10TH FEBRUARY 2020         | 115,800,000.00          | FY 2019/2020                                       |
|           |                           | <b>Total</b>               | <b>231,600,000.00</b>   |  |

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

Finance Manager  
Kenya Medical Research Institute

Sign 

DIRECTOR,  
Kenya Medical Research Institute

Sign 

**Kenya Medical Research Institute  
Annual Reports and Financial Statements  
For the year ended June 30, 2020**

---

