

2022/2023



*In Search of Better Health*

# ANNUAL REPORT

FINANCIAL STATEMENTS





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LEADER IN  
RESEARCH FOR  
HUMAN  
HEALTH

*In Search of Better Health*

Disseminating Health  
Research

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*The leading centre of excellence in research for human health*

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## ACRONYMS & ABBREVIATIONS

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank Of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
VC	Vice Chancellor

## GLOSSARY OF TERMS

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organization

**Comparative Year-** Means the prior period.

# 1. THE INSTITUTE

## ■ KEY INSTITUTE INFORMATION AND MANAGEMENT



### BACKGROUND

The Kenya Medical Research Institute (KEMRI) is a State Corporation established under The State Corporations Act, Legal Notice No. 35 as a Research Institute under Section 16 (2) and Section 53 as read with the Fourth Schedule of the Science ,Technology and Innovation Act, 2013 as the national body responsible for carrying out health research, innovation, capacity -building and service delivery for the improvement of human health and quality of life ,and advice the Government on matters related thereto.

### OUR VISION

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

### OUR MISSION

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

### OUR MOTTO

The motto of the Institute is *“In Search of Better Health”* towards the realization of the mission.

### OUR MANDATE

The mandate of KEMRI as per Legal Notice No. 35 is as follows: -

- a. Conduct health, biomedical, and public health research for human health;
- b. Build human health research capacity;
- c. Collaborate and partner with other local and international research bodies and institutions in carrying out human health research and capacity building;
- d. Advise the responsible Ministry in matters pertaining to health research policies and priorities;
- e. Undertake scientific and technological innovation as well as in the discovery, transmission and enhancement of knowledge and stimulate the intellectual life in the economic, social, cultural, scientific, and technological development;
- f. Establish incubation centres for innovation, and link research, policy makers, academia and industry in the health products value chain: and
- g. To do all such things that are necessary or desirable to carry out it functions.

### CORE VALUES

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



## 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

## FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Ag. Director General	Prof. Elijah Songok
2.	Ag. Director, Research & Development	Prof. Nelly Mugo
3.	Ag. Director , Corporate Services	Mr. Anthony Wachira
4.	Ag. Director, Research Capacity Building	Dr. Martin Bundi
5.	Ag. Deputy Director, Scientific Programmes & Partnerships	Dr. Mariciannah Onono
6.	Ag. Deputy Director, Grants Management	Dr. Vincent Okoth
7.	Ag. Deputy Director, Finance & Accounts	Ms. Florence Mukabane
8.	Deputy Director, Human Resource	Beatrice Adieri
9.	Deputy Director, Administration	Mr. John Musau
10.	Corporation Secretary	Mr. Martin Machira
11.	Deputy Director, Centre for Biotechnology Research & Development	Dr. Luna Kamau
12.	Deputy Director, Centre for Microbiology Research	Dr. Christine Bii
13.	Deputy Director, Centre for Traditional Medicine and Drug Research	Dr. Festus Tolo
14.	Deputy Director Centre for Global Health Research - Kisumu	Dr. Eric Muok
15.	Deputy Director, Centre for Infectious & Parasitic Diseases Control Research	Mr. Tom Mokaya
16.	Deputy Director, Centre for Geographical Medicine Research – Coast	Dr. Joseph Mwangangi
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. Ashimosi Khamadi
20.	Deputy Director, Centre for Public Health Research	Dr. Zipporah Bukania
21.	Deputy Director Centre for Respiratory Diseases Research	Dr. Videlis Nduba



## 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.

#### **INSTITUTE Headquarters**

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

#### **INSTITUTE Contacts**

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

#### **INSTITUTE Bankers**

1. Kenya Commercial Bank  
Kipande House Branch  
P.O. Box 30012 - 00100,  
Nairobi
2. Cooperative Bank Limited  
China Centre Ngong Road Branch  
P.O Box 21831-00400  
Nairobi
3. Family Bank  
Kilimani Branch  
P. O. Box 74145-00200  
Nairobi

#### **Independent Auditors**

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

#### **Principal Legal Adviser**

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

## 2. BOARD OF DIRECTORS



**Dr. Abdullahi Ali Ibrahim,**  
**CBS**  
Chairman Board of Directors



**Prof. Elijah Songok**  
Ag. Director General/  
CEO KEMRI



**Amb. Dr. Wenwa  
Akinyi Odinga**

Independent Board Member



**DR. Tom Sewe**

Independent Board Member



**Dr. Damaris Maweu**

Independent Board Member





**Mrs. Marstella  
Kahindi**

Independent Board Member



**Mr. Christopher  
Marwa**

Rep. Attorney General's Office



**Mrs. Veronica Okoth**

Representative of PS-National  
Treasury



**Dr. Rebecca Kiptui**

Rep. PS Ministry of Health



**Mr. Martin Machira**

Corporations Secretary & Director  
Legal Services.



**Prof. Elijah Songok**

Ag. Director General/  
CEO KEMRI



**Dr. Mariciannah Onono**

Ag. Director Scientific  
Programmes, Partnerships and  
Grant Management



**Mr. Edwin Bett**

Ag. Director, Strategy &  
Compliance



**Prof. Nelly Mugo**

Ag. Director Research and  
Development



**Mr. Martin Machira**  
Corporation Secretary &  
Director Legal Services



**Mr. Anthony Wachira**  
Ag. Director Corporate  
Services



**Mr. Martin Bundi**  
Ag. Director Research  
Capacity Building &  
Ag. Deputy Director,  
Research Capacity Building/  
KEMRI Graduate School



**Mr. John Musau**  
Deputy Director Administration



**Florence Mukabane**  
Ag. Deputy Director, Finance and  
Accounts



**Beatrice Adieri**  
Deputy Director, Human Resource

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**Mr. Kalu Kitaba**  
Deputy Director, Supply Chain  
Management



**Prof. Jennifer Orwa**  
Deputy Director, Resource  
Development & Knowledge  
Management



**Mr. Davis Mkoji**  
Deputy Director, Corporate  
Communications



**Mr. Patrick Mutinda**  
Deputy Director, Quality  
Assurance & Risk Management  
Coordinator



**Mr. Mahsen Abud**  
Deputy Director, Information  
Communication & Technology  
(ICT)



**Mr. Patrick Gitau**  
Deputy Director, Internal Audit



**Mr. Philip K. Melly**  
Ag. Deputy Director, Performance  
Management



**Dr. Cecilia Wanjala**  
Acting Director, Commercial  
Enterprises



**Eng. Grace Munoru**  
Deputy Director, Engineering &  
Maintenance Department



“The Annual Report and Financial Statement for the year ended 30th June 2023 is a testament to KEMRI’s unwavering commitment to advancing human health and improving quality of life”.

————— *Dr. Abdulaki Ali* —————



*Through research, capacity building, innovation, and service delivery, the Institute continues to make impactful strides.*

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**We extend our gratitude to the People and Government of Kenya, as well as our local and global partners, whose steadfast support fuels our endeavors. We also acknowledge the dedication of the Director General, CEO, and all KEMRI staff, whose efforts are pivotal in realizing the Institute’s mission.”**

It is with great pleasure that I submit to you on behalf of the KEMRI Board of Directors, the Kenya Medical Research Institutes (KEMRI)’s Annual Report and Financial Statement for the year ended 30th, June 2023 in accordance with the provisions of the Legal Notice No. 35 of March 2021.

The report gives an account of the achievements of the Institute in her core mission to improve human health and quality of life through research, capacity building, innovation, and service delivery.

We remain grateful to the People and Government of Kenya, local and external partners for their continued support to the activities of KEMRI.

The Board is also grateful to the Director General and CEO, KEMRI and all staff for their invaluable effort and commitment in serving the Institution.



“Through innovation and collaboration, KEMRI remains steadfast in advancing human health and addressing emerging global challenges. Together, we are shaping a healthier future In Search of Better Health.”

—————*Prof. Elijah Sengok*—————

The period under review marked a transformative era for KEMRI, defined by significant transitions and impactful achievements. While the new government introduced a bottom-up approach to policy and legislative direction, the Institute’s leadership also transitioned, with Dr. Abdulahi Ali anchoring the Board of Management as Chairman and my appointment as Acting Director General alongside senior management appointments. This injected fresh momentum into our mission of advancing health and improving lives.

As a nationally strategic institution, KEMRI remains steadfast in providing leadership In Search of Better Health, a responsibility upheld for over 40 years. We have revised our focus and research themes to align with emerging national and global priorities. Recognizing the need for innovation in changing times, we have implemented deliberate measures to remain relevant, strengthen niche areas, and enhance visibility and competitiveness.

The review period saw numerous milestones, notably the launch of the Malaria rapid diagnostic kit (Plasmocheck) and the SARS-CoV-2 RT-PCR kit. These innovations enhanced our global relevance, earning KEMRI the Adjudicators Award for Diagnostic Innovations at Africa Public Service Day 2022. The malaria kit, presented during the Great Lakes Malaria Initiative launch, now awaits WHO pre-qualification. Cancer research also advanced with KEMRI’s designation as a Collaborating Centre for the International Agency for Research on Cancer to support capacity building in Sub-Saharan Africa.

We invested in research infrastructure, including a KES 100 million automated DNA synthesizer for rapid diagnostic kit development. KEMRI has also positioned itself as a regional vaccine manufacturing training hub. Dissemination of research findings was robust, with the 12th and 13th KEMRI Annual Scientific and Health Conferences attracting over 1,100 participants and 441 abstracts. Regionally, our scientists contributed to key conferences, including the Pan-Africa Mosquito Control Association and the Conference on Public Health in Africa.



KEMRI also hosted the inaugural Women in Healthcare Leadership Summit, supporting professional women in health. The Institute recognized over 20 Principal Investigators with the highest funding, while many of our scientists received local, regional, and international accolades, including nominations to boards within the Ministry of Health and international organizations. Additionally, KEMRI advanced its application to become a Specialized Degree-Awarding Institution, with accreditation expected soon.

During the period, research funding grew, with government allocations increasing from KES 151 million to KES 200 million and projections to reach KES 500 million in 2023/24. KEMRI also achieved ISO/IEC 27001:2013 certification for Information Security Management Systems, ensuring systematic data protection. Our Strategic Communications team enhanced institutional visibility through diverse media channels, while our exhibitions at the Agricultural Society of Kenya (ASK) Mombasa International Show won multiple awards.

Operational efficiency was boosted with the automation of key processes, including the Risk and Audit Assurance module, enhancing accountability and transparency. The Institute maintained ISO 9001:2015 certification and achieved a “Good” rating in its FY 2021/22 Performance Contract evaluation.

Collaborations flourished, with notable engagements including hosting Bill Gates, Japan’s State Minister for Foreign Affairs, and various ambassadors. Critical Memoranda of Understanding were signed with Smile Train to enhance cleft research and care, and with Tonix Pharmaceuticals to strengthen capacity building. These partnerships, alongside continued support from the Government of Kenya, have propelled us closer to achieving our mission.

In conclusion, I express deep gratitude to the Government of Kenya, our partners, and our staff for their unwavering dedication to advancing KEMRI’s goals and ensuring its enduring impact on health research and innovation.



KEMRI has five strategic themes and objectives within the current Strategic Plan for the FY 2018- FY 2023. These strategic themes are as follows:

1. Research and Innovation
2. Corporate Governance
3. Research Infrastructure
4. KEMRI Graduate School of Health Research
5. Financial Sustainability

KEMRI develops its annual work plans based on the above five Themes. 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 2022/2023 period for its strategic pillars, as indicated in the diagram below:

*(NB: KEMRI has prepared this performance information as per the table below)*





Strategic Pillar/ Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Research and Innovation	To strengthen investment in health Research and Innovation	Number of policy briefs	Translate research findings into policies and practice guidelines	12
		Number of new research protocols developed & approved	Review and approve research proposals	91
		Number of ongoing Research Projects	Implement priority collaborative research projects	516
		Number of peer reviewed publications	Publish research findings	525
		Number of peer reviewed abstracts	Present research findings in scientific forums	209
		Number of scientific & Health Conferences held	Organize conferences, symposia and workshops	2
		Number of diagnostic kits developed and commercialized	production of diagnostic kits and other products	162,213
		Number of specialized laboratory services offered	provide specialized diagnostic services	965,654
Corporate Governance	To Strengthen Legal Framework	KEMRI Act	Review the existing Act under which KEMRI is established to harmonize with the Kenya constitution and other legislation	KEMRI Draft Bill



Strategic Pillar/ Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Research Infrastructure	To upgrade research infrastructure and automate processes	% Completion rate	Design and construct research labs at KEMRI Kwale	90%
		% Completion rate	Develop a Centre of excellence in Genomics, Bioinformatics and Drug Discovery	30.5%
		Number of Centres established	Establish Centre of excellence for stem cell research, synthetic biology and regenerative medicine	1
		Completion rate	Upgrade of ICT network security and infrastructure	100%
		Equipment installed	Procurement of research equipment	97.4%
		Completion rate	completion and equipping Kirinyaga lab	100%
KEMRI Graduate School of Health Research	To attain degree awarding status for KEMRI graduate school of Health sciences	No of PhDs and Msc students enrolled.	Enrolment of PhDs and Msc students	90
		Number of participants trained	Conduct short courses	296
Financial Sustainability	To enhance and diversify resource mobilization as a step towards financial sustainability	Enhance income generation (external research grants)	Amount (Kes)	5,107,763,285

# 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 principal 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

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 behaviour.
2. Action in the best interests of the Institute.
3. Favourable terms and conditions of service.
4. Recognition of the legitimate interests of all stakeholders; and
5. Good corporate citizenship

The Board endeavours 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 Board meetings were held with at least one meeting per quarter.

The Board members were trained locally and abroad. The Board has 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 State Corporations Advisory Committee undertook the Board's performance evaluation for the period on 21<sup>st</sup> July, 2022.

Corporation Secretary

# 8. MANAGEMENT DISCUSSION AND ANALYSIS

## 1. Review of Performance

The Kenya Medical Research Institute has achieved the following during financial year 2022/2023;

### i) Research

- The Institute developed one hundred forty-three (143) new research proposals covering national health research priority areas and contributed forty-eight (48) policy briefs 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.
- The Institute's published four hundred forty-six (446) Publications 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.
- The Institute implemented five hundred and twenty (520) ongoing collaborative research projects in priority areas in Non-communicable diseases and universal health coverage.
- The Institutes' scientists also presented ninety-three (93) peer reviewed scientific abstracts in national and international conferences and scientific forums.
- The Institute developed and continues to manage Demographic Health Surveillance Systems (DHSS), in six (6) Counties, targeting population dynamics, validating National census/demographic Health Surveys, health facility utilization, evaluation of new health interventions and priority diseases monitoring within Kisumu, Siaya, Homabay, Kwale, Nairobi and Kilifi Counties.
- Climate change and health: KEMRI continues to monitor the trends in disease causing organisms and their vectors in relation to climate change. KEMRI has developed models to predict and monitor malaria outbreaks, allowing the identification of possible epidemics.
- Health Products and Technologies (HPT): Drug, Vaccine, Diagnostics, Discovery, Development and Clinical trials:
  - Malaria:
    - **Vaccine:**
      - » RTSS Phase 3 completed and pilot deployment ongoing in Kenya, Malawi and Ghana
      - » New malaria candidate vaccine evaluation ongoing
      - » New vaccine discovery and development antigen identification



- **Drugs:**
  - » Malaria drug discovery by mining existing chemical libraries (360 compounds evaluated)
  - » Evaluation of medicinal plants with anti-malarial potential
  - » Clinical trials on new anti-malarial drugs (KAF, Feroquine, KAE)
  - » Antimalarial drug resistance surveillance and monitoring
- **Diagnostics:**
  - » First locally manufactured new rapid diagnostic tests (RDT) development
  - » Evaluation of new and existing malaria diagnostic tools
  - » Training of health workers and researchers in malaria diagnosis
- Ebola vaccine: Phase two proof of concept trial showing that the vaccine candidate was efficacious was completed. Phase three was not done since the epidemic was contained.
- HIV: A Phase 3b, randomized, open-label study of the antiviral activity and safety of dolutegravir compared to lopinavir/ritonavir both administered with dual nucleoside reverse transcriptase inhibitor therapy in HIV-1 infected adult subjects with treatment failure on first line therapy. Dolutegravir Has now been adopted in the country as 2nd line treatment for HIV
- TB: A Phase IIB, Double-blind, randomized placebo-controlled study to evaluate efficacy, safety and immunogenicity of GSK biologicals' candidate tuberculosis (TB) vaccine GSK 692342 against TB disease in healthy adults aged 18-50 years living in a TB endemic region. The study is now complete and showed promising results and it was the 1st vaccine trial in
- Sickle cell: A phase 3, Double – blind, Randomized, placebo-controlled, multicenter study of GBT440 Administered Orally to patients With Sickle Cell Disease. Completed and proceeded to an open label study GBT 034. The Drug has been registered and is in the market
- Yellow fever vaccine: Currently KEMRI is developing a fractionated dose regimen. The development is in the final stages of evaluation. Other activities include:
  - » A reverse transcriptase loop amplification isothermal PCR for YFV was developed at KEMRI-PD vide publication attached herewith.
  - » Domestication of differential diagnosis assays by PCR for YFV, RVFV, DENV, CHIKV, ONNV and WNV using established protocols
  - » Development of Enzyme Linked Immunosorbent Assays (ELISA) for YFV e.g. indirect IgG ELISA, IgM capture ELISA and Ag detection ELISA
  - » Large-scale production of YFV specific monoclonal antibody 2D12 and its subsequent use in Plaque and Focus Neutralization Assays
  - » Developed more MAbs that are awaiting field testing and large-scale propagation
- KEMRI signed and maintained ninety(90) different collaborative agreements and partnerships from over eighteen (18) countries.



- Research translation (policies and guidelines):
  - » Micro-lens situational status brief, 1st June 2023
  - » Prevalence of cardiovascular risk factors in Vihiga County, Kenya, 30th June 2023
  - » Overview of Human Resources for Health Research in Kenya: A portfolio of multi-disciplinary research work spanning by KEMRI Wellcome Trust over 15 years, May 2023
  - » Medical and Nursing Internship: Issues Related to Health Worker Production and Transition into the Labor Market, May 2023
  - » Hospital workforce and quality of care, May 2023
  - » Health workforce management, regulation and governance, May 2023
  - » Detection and Genomic Characterization of Vibrio Cholerae in Kilifi, Kenya
  - » Overview of Human Resources for Health Research in Kenya: A portfolio of multidisciplinary research work spanning by KEMRI Wellcome Trust over 15 years
  - » Are our clients satisfied with our services? Implementation of Universal Health Coverage in Taita Taveta County?
  - » Responsiveness of the National Health Insurance Fund to People Living with Hypertension and Diabetes in Kenya
  - » SARS-CoV-2 Omicron Variants of Concern BA.5.2.1 and BA.4.1 are Driving the Sixth Wave in Nairobi County, Kenya August 16,2022.
  - » Sustained Circulation of SARS-CoV-2 Omicron Variants of Concern BA.5.2.1 and BA.4.1 in Kenya July 6, 2022

## ii) COVID-19 KEMRI Response

- Diagnosis: KEMRI conducted (3,758) of all COVID-19 tests across the country for the FY2022/2023.
- Genomic sequencing: 455 COVID-19 samples was sequenced in FY2022/2023.
- One Surveillance study was conducted on COVID-19 and related diseases in the North Rift of Kenya.
- Eight (8) publications published in peer review journals on COVID-19:
  - » Interleukin-6 inhibitors in non-COVID-19 ARDS: analyzing the past to step into the post-COVID-19 era.
  - » Characterization of tungiasis infection and morbidity using thermography in Kenya revealed higher disease burden during COVID-19 school closures.
  - » Essential emergency and critical care as a health system response to critical illness and the COVID19 pandemic: what does it cost?
  - » The impact of the COVID-19 pandemic on vaccine coverage in Kilifi, Kenya: A retrospective cohort study.
  - » Diagnostic accuracy of the Panbio COVID-19 antigen rapid test device for SARS-CoV-2 detection in Kenya, 2021: A field evaluation



- » Herd immunity among rural and urban Kenyan populations 2 years into the COVID-19 pandemic despite significant vaccine hesitancy and refusal
- » Provider perspectives on service delivery modifications to maintain access to HIV pre-exposure prophylaxis during the COVID-19 pandemic: qualitative results from a PrEP implementation project in Kenya.
- » Rapid Development of an Integrated Network Infrastructure to Conduct Phase 3 COVID-19 Vaccine Trials
- Capacity building:
  - » KEMRI trained 7 officers in Health Reporting
  - » KEMRI trained one staff on Introduction to Biotechnology & Bioinformatics.
  - » KEMRI trained two (2) Staff on ISO 15189:2012- Medical Laboratories requirements for quality and competence
  - » KEMRI trained one hundred and eighty (180) officers on Africa Genomics Medicine training initiative course.
  - » KEMRI trained an additional forty (40) officer on H3A bionet - Introduction to Bioinformatics Training (IBT)
- Products and services
  - » Produced 9,377 Culture Media (plates & Tubes) in FY2022/2023.
  - » Produced 87,066 units of bleach (TB Cide) and supplied to KEMSA and other health facilities.
  - » Produced 42,891 units of Sanitizers (KEMRUB).
  - » Produces 50 malaria diagnostic kits.
  - » Offered 444,316 specialized laboratory services in FY2022/23

### iii) Kenya Vision 2030 Flagship Projects

#### a) Center of Excellence for Stem cells Research, Synthetic Biology and Regenerative medicine:

- 1) The Centre of excellence in stem cell research was established, fully equipped and operational awaiting for commissioning FY2023/24.
- 2) Capacity building in stem cell research applications and technologies.
  - A refresher training on cell sorter was done on 28/03/2023 by 5-unit staff and 1 MSC student and an intern.
  - Generation, characterization, Maintenance and propagation of mice Bone Marrow MSCs.
  - 4 new sets of Mesenchymal stem cells have been Harvested and cultured for characterization, sorting and per-clinical application.
  - Restorative potential of Bone marrow-derived- Mesenchymal Stem Cells on.
  - Cutaneous Leishmaniasis lesions in BALB/c mice induced by L. tropica.
  - Study mice have been induced with L. Major parasites and cutaneous lesions developed for stem cells treatment trials.





- Application of Isolated and Propagated Umbilical Cord Blood derived Mesenchymal Stem cells on Ovarian Cancer Cell Lines In vitr KEMRI, NACOSTI and Study County Approvals were obtained for the study.
  - Immunomodulatory and anti-inflammatory potential of Bone Marrow-derived Mesenchymal Stem Cells (BM-MSCs) in experimental Schistosome egg granuloma: as a model of intervention in human inflammatory diseases.
  - PI sort ethical approvals (SERU, ACUC) and got a NACOSTI license to carry out the study.
  - The research team conducted fieldwork for collection of Schistosoma mansoni-infected Biomphalaria pfeifferi snails from Asawo stream, Kisumu County.
  - Maintenance of the parasite in the laboratory in preparation to begin the study experiments.
- 3) The Centre of excellence in genomics was established and is awaiting accreditation. KEMRI is undertook the following activities:
- a) Capacity Building in genomics research application and technologies
- One (1) staff attended a training in South Africa (on 1st March - 2nd March 2023) on 'Protecting Information Technology Systems Containing Genomic Data at Biological Laboratories in Sub-Saharan Africa' Sponsored by US Department of state office, partnering with Geneinforsec.
  - Three (3) staff attended a training in Kilifi (on 27th March – 31st March 2023) on 'Advanced Training in Bioinformatics Workflows' sponsored by The Africa CDC Pathogen Genomics Initiative (PGI) and in partnership with KEMRI-Wellcome Trust Research Programme.
  - Three (3) staff attended a training on Bioinformatics

Equipment purchased and installed at Genomics Sequencing Lab at CBRD. These are:

- i) Extraction system
- ii) qPCR machine
- iii) Centrifuge
- iv) Illumina: Miseq
- v) Oxford Nanopore GridION.

**b) Natural Products:**

- Manufacture of pharmaceuticals through Public Private Partnership Initiative
- Development of indigenous technologies for manufacture of niche products
  - i) Formulation of authenticated herbal remedies for management of cancer and jigger eradication is complete. A product (Tungicide) has been developed awaiting field



evaluation.

- ii) Pre-clinical studies for herbal medicines for cancer treatment

One hundred and forty-seven (147) samples collected in Nairobi and Uasin Gishu. Microbial contamination and drug sensitivity studies have been completed for 117 samples; data analysis is ongoing. Cytotoxicity studies are also continuing. Data compilation for 5 samples tested against prostate and cervical cancer cell lines on going.

- iii) Development of therapeutic and supplemental foodstuffs to prevent and treat malnutrition Ujiplus

#### iv) **Innovations**

During performance period under review:

- a. KEMRI is in the process of developing a locally produced rapid diagnostic kit for malaria, in support of Africa Leadership Malaria Alliance (ALMA) spearheaded by the President of Kenya.
- b. Evaluation of a Loop-mediated isothermal amplification (LAMP) assay for COVID-19 detection; results shared with the sponsors, the Bill and Melinda Gates Foundation.
- c. Development and Evaluation of Helicase Dependent Isothermal DNA Amplification Method as Point-of-Care Diagnosis of *Wuchereria bancrofti*. Results published in Journal of Parasitology Research.

#### v) **Capacity Development**

##### **Infrastructural**

- a. The Institute continues to maintain the following accreditations:
  - i. WHO accreditation (CVR-EPI LABS polio/measles),
  - ii. Microbiology & Clinical Research Labs (CAP) (KEMRI/WRP Kericho),
  - iii. Seeking re-certification for ISO 15189:2012 (Medical laboratory (CVR, CGHR-TB/HVR/DLSP)),
  - iv. ISO 9001:2015 (QMS Requirements KEMRI),
  - v. Certified Clinical, Microbiology & Immunology labs (GCLP), CGMRC Kilifi, CGHR Kisumu, CCR Kombewa/Kondele/Kericho
  - vi. ISO/IEC17043:2010 General Requirements for Proficiency Testing (Production)
  - vii. Seeking re-certification for ISO 13485 (Medical devices (Production)).
  - viii. KEMRI is also pursuing ISO 15189:2012 Medical Laboratory certification for CCR, ESACIPAC, CVR HIV lab, KEMRI/RTCP-FACES, CGHR Malaria.
  - ix. Kericho Clinical Research laboratory accredited by the College of American Pathologists [2008].
- b. Fully fledged laboratory for Human Identification & Training for paternity and for disaster and crime scene investigation.



- c. Establishment of Stem cell research infrastructure, which is a Kenya Vision 2030 Flagship Project including acquisition of key equipment and training and generate cell lines for use in pre-clinical applications in diabetes and wound healing; ongoing.
- d. Next generation sequencing: Equipment including the Illumina- Miseq, Oxford nanopore and Roche 454 high through put sequencing platforms and soon to be supported by a High power computing facility under set up.
- e. The following research infrastructure was established and enhanced during the reporting period:
  - i. Equipping of flu lab and P3 lab at HQ
  - ii. Design and construct research labs at KEMRI Kwale/ CMR/CPHR Block
  - iii. Construction and upgrade of BSL2 and other laboratories supported by USA Defence Threat Reduction Agency (DTRA)
- f. Other Infrastructure
  - i. Repair, renovations of staff quarters at Mbagathi
  - ii. ICT infrastructure and automation
  - iii. Installation of CCTV, barrier access control
  - iv. Rehabilitation/Replacement of water piping system at HQ
  - v. Rehabilitation of access roads, KEMRI HQ

#### Human Resource

- α) KEMRI Graduate School Nairobi continued enrollment and training of research scientists with a total of 90 PhD and Masters degree scientists enrolled in FY2022/2023.
- β) Japan International Cooperation Agency (JICA) Third Country Training Programme (TCTP)
  - a. KEMRI launched TCP in country training with JICA that aims to strengthen research capabilities and address the ongoing health challenges around infectious diseases. The training and capacity building seeks to bridge the gaps by providing targeted training to initiatives for KEMRI's Scientific and Administration staff on Research Management Administration (RMA) as well as OMICS techniques.
- χ) Professional development
  - i) Four (4) Officers trained on Strategic Leadership Development Program (SLDP).
  - ii) twenty-five (25) trained on Senior Management Course (SMC)
  - iii) Three (3) on supervisory development skills.
  - iv) Seventy-four (74) members of staff trained as a result of training needs identified in the appraisal reports.

## vi) Service delivery

- **Technical assistance**

KEMRI researchers assigned to various units within the MOH to support strategic initiatives and departments e.g. National Public Health Laboratory, COVID-19 task force, COVID-19 vaccine deployment, National Immunization Technical Advisory Group (NITAG), National Laboratory Technical Advisory Committee (NLTAC), Kenya Coordinating Mechanism for Global Fund

- **Laboratory services**

KEMRI offered 444,316 specialized laboratory services offered in 2022/2023. These services include Viral Load testing which covers 75% of all National tests, PCR- Early Infant Diagnosis of HIV, HIV/Rapid Test and DNA tests.

- **Products**

The Institute developed and commercialized 139,707 diagnostic kits and other product in FY2022/23. The products include: Culture Media (plates), Culture Media (Tubes), KEM-rub, TBcide, Viral Transport Media (VTM) and Malaria Diagnostic Kits.

## vii) Regional, Continental and International responsibilities

- α) East African Community: East African Health Research Commission focal point.
- β) African CDC: East African Region Coordination Center (RCC) laboratory support
- χ) WHO: Regional reference laboratory for polio
- δ) Arbovirus regional reference laboratory
- ε) Global reference center for Malaria diagnosis
- φ) KEMRI supported establishment of Malaria Diagnostics Centers of excellence in Tanzania, Ghana and Nigeria.

## viii) Recognition

- KEMRI received the Adjudicators Award for Innovations, PlasmoCheck-Malaria rapid test kit, Virus Transport Media (VTM) and KEMCov-19 COVID -19 PCR test kit in the well-attended event dubbed ***Africa Public Service Day: 10 years And Beyond.***

ix) The following infrastructure was also upgraded during the period:

- α) Procurement of Research Equipment
- β) Upgrading of laboratories
- χ) Construction of Kirinyaga research building
- δ) Installation of CCTV, barrier access control

# 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KEMRI has put in place proper strategies that will ensure sustainability by taking into consideration the Institutes operations with regards to the social and economic environment. The Institute strive to work in harmony with our stakeholders, minimize negative environmental impacts and support communities that may need its support. To achieve this mainly focuses on stakeholder and community engagements, environment and health. The management ensures that these strategies are aligned to the Institute's operations. This has been done on the assumption that developing such strategies will foster the Institutes's continuity. The strategies include;

- ensuring compliance with environmental regulations
- e – waste policy
- environmental sustainability policy
- corporate social responsibility policy
- community engagement
- embedding sustainability in the business processes

## 1. Environmental performance

The Institute recognizes that it has a responsibility to the environmental beyond legal and regulatory requirements. The Institute is committed to continually improving its environmental performance as an integral part of its business strategy and operating methods. KEMRI encourages all stakeholders to do the same. The Institute aims at complying with all regulatory requirements, continual improvement of environmental performance, continual improvement of its environmental by incorporating environmental factors in its business decisions, increasing awareness and employee training.

## 2. Employee welfare

The Institute has a HR policy, HR instruments which provides guidance on the approach to be adopted on aspects of recruitment or hiring, career progression, promotion, performance appraisals and trainings. Annually, stakeholder engagement plan is created for implementation by the management. These forums provide sufficient opportunities to the stakeholders to voice their opinions and concerns that may influence operations. The plan is updated as necessary as stakeholder communication may change.

## 3. Market place practices-

KEMRI has over the years it has built strong relationship with all stakeholders not only for research but also for them to understand the Institute's operations in order to gain goodwill and support. We gain our competitive advantages through delivering excellent customer services and quality products rather than through unethical or illegal business practices. KEMRI plays a key role in supporting the delivery of the aspirations of Medium-Term Plan IV of the Vision 2030 and the

Governments 'Bottom-Up Economic Transformation Agenda (BETA).

The Institute's procurement activities are guided by the Public Procurement and Regulatory Authority (PPRA) which is the regulatory body overseeing the public procurement and asset disposal systems as stipulated in the Act of 2015. The Agency submits quarterly reports to PPRA.

**4. Community Engagements-**

KEMRI has made the commitment 'to be to be recognized as an organization that is ethical in all its dealings as well as making a positive contribution to the community in which it operates' by remaining focused towards ensuring we met our environmental and sustainability goal.

**i) Corporate Social Responsibility / Community Engagements**

*Team KEMRI took part in a medical camp in Ndhiwa Primary School in Homabay County.*

*Services provided included essential clinical assessment, malaria testing Hepatitis Screening and cervical cancer examination.*









# 10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the *institute's* affairs.

## i. Principal activities

The principal activity of the institute is to conduct human health research.

## ii. Results

The results of the institute for the year ended June 30, 2023, are set out on page 1-5

## iii. Directors

The members of the Board of Directors who served during the year are shown on page ix. During the year 2023 March, the Ag. Director General went on sabbatical leave and Prof Elijah Songok was appointed with effect from 4th March 2023.

## iv. Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

***Kenya Medical Research Institute did not make any surplus during the year (FY 2022/23) and hence no remittance to the Consolidated Fund.***

## v. Auditors

The Auditor-General is responsible for the statutory audit of Kenya Medical Research Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act.

By Order of the Board



**Mr. Martin Machira**

**Corporation Secretary/Secretary to the Board**

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

The Directors are responsible for the preparation and presentation of the *institute's* financial statements, which give a true and fair view of the state of affairs of the *institute* for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *institute*; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the *institute*; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the *institute's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent 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 the *institute's* financial statements give a true and fair view of the state of *institute's* transactions during the financial year ended June 30, 2023, and of the *institute's* financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the *institute*, which have been relied upon in the preparation of the *institute's* financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the *institute's* ability to continue as a going concern (*disclose, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

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

**Approval of the financial statements**

The KEMRI financial statements were approved by the Board on 27<sup>th</sup> September 2023 and signed on its behalf by:



**Name:** *Dr. Abdullahi Ali Ibrahim, CBS*  
**Chairperson of the Board/Council**

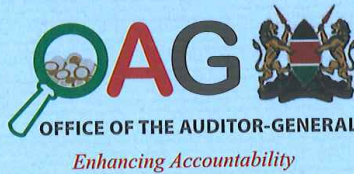


**Name:** *Prof. Elijah Songok*  
**Accounting Officer**

# 12. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF KEMRI

## REPUBLIC OF KENYA

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**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, 2023

#### PREAMBLE

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

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

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

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

#### REPORT ON THE FINANCIAL STATEMENTS

##### Qualified Opinion

I have audited the accompanying financial statements of the Kenya Medical Research Institute set out on pages 1 to 38, which comprise of the statement of financial position



as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 the Kenya Medical Research Institute as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Science, Technology and Innovation Act, 2013 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. KEMRI Staff Retirement Benefit Scheme Liability**

The statement of financial performance and Note 11 of the financial statements reflects use of goods and services amount of Kshs.792,690,344 out of which Kshs.50,000,000 relates to Defined Benefit pension scheme (DBS) expenditure made to KEMRI Staff Retirement Benefit Scheme due to loss of funds by the former pension trustees. However, documents provided for audit revealed that KEMRI was absolved from all liabilities and therefore the basis of making this payment was not explained or supported by approvals from the board. In addition, the amount was not supported by a ledger showing total liability, amounts paid to date and the balance due.

In the circumstances, the validity of the obligation to the pension scheme (DBS) of Kshs.50,000,000 could not be confirmed.

#### **2. Unconfirmed Trade and Other Payables**

The statement of financial position and Note 25 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.736,349,424. The amount includes unpaid suppliers amount of Kshs.358,811,304 but the invoices, contracts and other supporting documents were not provided for audit.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.736,349,424 could not be confirmed.

#### **3. Unsupported Accounts Receivables**

Note 19(a) to the financial statements reflects receivables from exchange transactions balance of Kshs.694,086,237. Included in the balance is Kshs.90,294,690 comprising of over remitted statutory deduction of Kshs.36,925,983, net salary payable of Kshs.31,133,112 and miscellaneous amount of Kshs.22,235,595. However, these items were erroneously classified under receivables and no supporting documentation or explanations for this anomaly were provided for audit.



In the circumstances, the accuracy, existence and completeness of receivables from exchange transactions balance of Kshs.694,086,237 could not be confirmed.

#### **4. Undisclosed Mortgage Liability**

The statement of financial position and Note 18 to the financial statements reflects cash and cash equivalent balance of Kshs.1,259,928,060 (2022 – Kshs.832,176,653). Included in this balance is Kshs.143,621,426 in respect to mortgage account balance. It was noted that on 02 March, 2012 an agreement was signed with a financial institution to provide employees with special housing scheme through issuance of funds with the mortgage account balance acting as security for the loan balance. Review of the loan repayment schedules revealed that the Mortgage Scheme had a loan balance of Kshs.74,649,949 as at 30 June, 2023 in respect of thirty-four (34) employees. However, this amount has not been disclosed as a liability in the financial statements.

In the circumstances, the accuracy, existence and completeness of mortgage account balance of Kshs.143,621,426 could not be confirmed.

#### **5. Undisclosed Land**

The statement of financial position and Note 22 to the financial statements reflects property, plant and equipment balance of Kshs.19,573,411,289 . However, the balance excludes undetermined value for parcel of land located in Mtwapa, Kilifi County measuring 0.0454 hectares.

In the circumstances, the accuracy, completeness, ownership and valuation of property, plant and equipment balance of Kshs.19,573,411,289 could not be confirmed.

#### **6. Incorrect Treatment of Prior Year Adjustment**

The statement of changes in net assets reflects accumulated surplus balance of Kshs.480,155,221 as at 30 June, 2023 which includes prior year adjustment of Kshs.78,306,282. The adjustment relates to funds transferred from Mortgage Fund Account to the Exchequer and the interest earned on mortgage fund that were not recognized as income in the prior year. However, the adjustment is not in line with International Public Sector Accounting Standard (IPSAS) 3 which requires all prior year adjustments to be effected through restatement of prior period financial statements.

In the circumstances, the accuracy of the accumulated surplus of Kshs.480,155,221 could not be confirmed.

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

## Emphasis of Matter

### Material Uncertainty to Going Concern

The statement of financial performance reflects a deficit of Kshs.345,566,148 in comparison with deficit of Kshs.475,944,330 for the comparative period leading to a decline in the accumulated reserves from Kshs.745,242,694 in the previous year to Kshs.476,373,111 in the current year. Further, the statement of financial position reflects current liabilities balance of Kshs.2,609,267,5345 which exceeded the current assets balance of Kshs.2,592,789,021 resulting in a negative working capital of Kshs.16,478,514.

In the circumstances, the Institute's sustainability of research services is heavily dependent on continued support by the Government, collaborators/ donors and creditors.

My opinion is not modified in respect of this matter.

### Key Audit Matters

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

### Other Matter

#### Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1. Unbudgeted Expenditure

The statement of comparison of budget and actual amounts reflects actual expenditure for the year amounting to Kshs.10,392,116,315 against the budgeted expenditure of Kshs.8,829,510,588 resulting in an overall over-absorption of Kshs.1,562,605,727 (18%) whose source was not explained contrary to Regulation 33(e) of the Public Finance

Management (National Government) Regulations, 2015 which states that the total budget revenue shall cover total budget expenditure and therefore (i) except as provided by legislation, there shall be no use of specific revenue to finance specific expenditure and (ii) appropriation shall be for a specific purpose or a specific programme or item of expenditure. Further, Regulation 51(2) of Public Finance Management (National Government) Regulations, 2015 which states expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible Accounting Officer, based on allocations and allotments from the approved budgets.

In the circumstances, Management was in breach of the law.

## **2. Preparations of Grants Financial Statements**

The statements of financial performance and Note 7 to the financial statements reflect collaborators funds of Kshs.6,386,990,539 . The funds relate to grants received for four hundred and forty-four (444) research projects. However, a separate set of financial statements for the Projects was not prepared. This was contrary to Regulation 74(6)(a) of the Public Finance (National Government) Regulations, 2015 which requires an accounting officer to keep and maintain proper books of accounts and records in respect of all projects and donations and have the same audited by the Auditor General.

In the circumstances, Management was in breach of the law.

## **3. Unapproved Mortgage Fund**

The statement of financial position Note 18 to the financial statements reflects cash and cash equivalent balance of Kshs.1,259,928,060 (2022 – Kshs.832,176,653) . The amount includes mortgage account balance of Kshs.143,621,426 and the Institute entered into an agreement on 2 March, 2012 with a bank to provide employees with special housing scheme. However, there was no approval from the Cabinet Secretary to manage this Fund. This was contrary to Regulation 207(1)(g) of the Public Finance Management (National Government) Regulations, 2015 which requires the Cabinet Secretary to grant approval in writing before establishment of a Fund. In addition, the Fund's financial statements were not prepared contrary to Section 81(1) and (4) of the Public Finance Management Act, 2012 which requires an Accounting Officer for a National Government entity to prepare financial statements and submit the same to the Auditor-General.

In the circumstances, Management was in breach of the law.

## **4. Irregular Foreign Currency Accounts held at Commercial Banks**

Note 18 (a) to the financial statements reflects cash and cash equivalent balance of Kshs.1,259,928,060 in respect of twenty-three (23) bank accounts. Included in this list are two (2) foreign currency accounts (Dollar and Euro Account) held at a commercial bank. This was contrary to Regulation 76(2) of the Public Finance (National Government) Regulations, 2015 which requires all foreign currency designated bank accounts be kept at the Central Bank of Kenya unless exempted in writing by the Cabinet Secretary.



In the circumstances, Management was in breach of the law.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

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

### Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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



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

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

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

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**19 March, 2024**

	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfer from Ministry of Health	6	3,014,000,002	2,851,905,543
Collaborators Funds	7	6,386,990,539	4,960,874,597
<b>Revenue from exchange transactions</b>			
Rental revenue from facilities and equipment	8	28,215,904	29,710,850
Finance income - external investments	9	3,908,859	26,064,017
Other income	10	615,607,256	466,841,531
<b>Total revenue</b>		<b>10,048,722,560</b>	<b>8,335,396,539</b>
<b>Expenses</b>			
Use of goods and services	11	792,690,344	812,803,402
Employee costs	12	2,768,127,796	2,576,755,036
Remuneration of directors	13	26,070,865	29,603,471
Depreciation and amortization expense	14	322,434,108	340,004,770
Repairs and maintenance	15	36,911,308	38,958,281
Contracted services	16	58,891,356	52,341,312
Collaborators Expenses	17	6,386,990,539	4,960,874,597
<b>Total expenses</b>		<b>10,392,116,315</b>	<b>8,811,340,869</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets	20	-	-
<b>Surplus/(deficit) for the period/year</b>		<b>(343,393,755)</b>	<b>(475,944,330)</b>

The notes set out on pages 6 to 38 form an integral part of these Financial Statements.

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

Name: Prof. Elijah Songok  
Accounting Officer

Date: 27<sup>th</sup> September 2023

Name: Anthony Wachira  
Head of Finance  
ICPAK M/No:

Date: 27<sup>th</sup> September 2023

Name:  
Chairman of the Board

Date: 27<sup>th</sup> September 2023



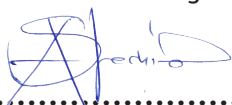
	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	1,259,928,060	832,176,653
Receivables from exchange transactions	19	694,086,237	800,272,962
Receivables from non-exchange transactions	19-b	630,288,522	139,371,855
Inventories	20	12,268,311	3,222,568
Investments	21	-	386,831,800
		<b>2,596,571,130</b>	<b>2,161,875,839</b>
<b>Non-current assets</b>			
Property, plant and equipment	22	19,573,411,289	19,933,668,531
Intangible assets	23	80,921,598	69,745,489
Investment property	24	911,419,463	931,542,692
Capital projects-Work in Progress			
		<b>20,565,752,351</b>	<b>20,934,956,712</b>
<b>Total assets</b>		<b>23,162,323,482</b>	<b>23,096,832,552</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	25	736,349,424	695,536,433
Refundable deposits from customers	26	50,295,609	49,931,609
Grant funds	28	1,720,442,389	1,271,344,834
Deferred Income	27	102,180,111	111,876,257
		<b>2,609,267,533</b>	<b>2,128,689,132</b>
<b>Net Assets</b>		<b>20,553,055,948</b>	<b>20,968,143,419</b>
Capital replacement development reserve/Capital reserve		2,851,394,108	2,851,394,108
Revaluation reserve		17,221,506,618	17,371,506,618
Accumulated surplus		480,155,221	745,242,694
<b>Total net assets and liabilities</b>		<b>20,553,055,947</b>	<b>20,968,143,419</b>

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



Name: Prof. Elijah Songok  
Accounting Officer

Date: 27<sup>th</sup> September 2023



Name: Anthony Wachira  
Head of Finance  
ICPAK M/No:

Date: 27<sup>th</sup> September 2023



Name: Prof. Elijah Songok  
Chairman of the Board

Date: 27<sup>th</sup> September 2023



# 15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 30 JUNE 2021</b>	<b>2,851,394,108</b>	<b>17,371,506,618</b>	<b>1,221,187,024</b>	<b>21,444,087,750</b>
Accumulated surplus/deficit adjustments			-	
Surplus for the period			(475,944,330)	
<b>Balance as at 30 JUNE 2022</b>	<b>2,851,394,108</b>	<b>17,371,506,618</b>	<b>745,242,694</b>	<b>20,968,143,419</b>
Accumulated surplus/deficit adjustments	-	- 150,000,000	78,306,282	-
Surplus for the period	-	-	(343,393,755)	
<b>Balance as at 30 JUNE 2023</b>	<b>2,851,394,108</b>	<b>17,221,506,618</b>	<b>480,155,221</b>	<b>20,553,055,947</b>

Note:

1. For items that are not common in the financial statements, the institute should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done



		2022-2023	2021-2022
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfer from Governments	6	3,014,000,002	2,851,905,543
Collaborators Funds	7	6,386,990,539	4,960,874,597
Rental revenue from facilities and equipment	8	28,215,904	29,710,850
Finance income - external investments	9	3,908,859	26,064,017
Revenue Generating Activities	10	168,028,469	152,870,451
Graduate Program (ITROMID)	19	26,871,500	26,773,611
Miscellaneous Income	10	3,248,955	5,756,072
Overheads	10	417,458,332	281,441,398
<b>Total Receipts</b>		<b>10,048,722,560</b>	<b>8,335,396,539</b>
<b>Payments</b>			
Use of goods and services	11	792,690,344	812,803,402
Employee costs	12	2,768,127,796	2,576,755,036
Remuneration of directors	13	26,070,865	29,603,471
Repairs and maintenance	15	36,911,308	38,958,281
Contracted services	16	58,891,356	52,341,312
Collaborators Expenses	17	6,386,990,539	4,960,874,597
Operating Expenses		-	-
General Expenses		-	-
<b>Total Payments</b>		<b>10,069,682,207</b>	<b>8,471,336,099</b>
<b>Net cash flows from/(used in) operating activities</b>	45	<b>(20,959,647)</b>	<b>(135,939,560)</b>
<b>Cash flows from investing activities</b>			
Decrease/(Increase) in receivables from exchange transactions		106,186,726	(189,164,495)
Decrease/(Increase) in receivables from non-exchange transactions		490,916,667	272,446,667
(Increase)/Decrease in Short term deposits		386,831,800	97,774,700
Increase in payables		40,812,990	68,013,888
Decrease in Deferred Income		(9,696,145)	(83,640,332)
Increase in Refundable deposits from customers		364,000	(3,517,848)
(Increase)/Decrease in Inventories		(9,045,743)	(3,222,568)
(Decrease) in bank overdraft		-	-
Increase in Collaborators Funds - payment received in advance		449,097,556	333,204,444
Purchase of property, plant, equipment and intangible assets		(137,574,404)	(164,455,543)
Proceeds from sale of property, plant and		-	-
Adjustment on WIP		34,344,658	-
Adjustment on accumulated reserve		78,306,282	-
<b>Net cash flows used in investing activities</b>		<b>448,711,051</b>	<b>327,438,913</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>427,751,404</b>	<b>191,499,353</b>
Cash and cash equivalents at 1 JULY		832,176,655	640,677,301
<b>Cash and cash equivalents at 30 JUNE</b>		<b>1,259,928,059</b>	<b>832,176,655</b>



	Original budget		Adjustments		Final budget		Actual on comparable basis		Actual Rev./ Expenditure		Performance difference		% of utilization
	2022-2023	Kshs	2022-2023	Kshs	2022-2023	Kshs	2022-2023	Kshs	2022-2023	Kshs	2022-2023	Kshs	
<b>Revenue</b>													
GOK Recurrent	2,807,000,000		(25,000,000)		2,782,000,000		2,782,000,000		2,757,000,000		(25,000,000)		99%
GOK Development	513,000,000		(164,000,000)		349,000,000		349,000,000		257,000,000		(92,000,000)		74%
Collaborators funds	5,107,763,283				5,107,763,283		5,107,763,283		6,386,990,539		1,279,227,256		125%
Sundry Income - Overheads	402,747,305				402,747,305		402,747,305		420,707,289		17,959,984		104%
Rendering of services - Revenue Generating	104,000,000				104,000,000		104,000,000		168,028,469		64,028,469		162%
Finance Income - Interest on investments	37,500,000				37,500,000		37,500,000		3,908,859		(33,591,141)		5%
Graduate School	16,500,000				16,500,000		16,500,000		26,871,500		10,371,500		163%
Rental income	30,000,000				30,000,000		30,000,000		28,215,904		(1,784,096)		94%
<b>Total income</b>	<b>9,018,510,588</b>		<b>(214,000,000)</b>		<b>8,829,510,588</b>		<b>8,829,510,588</b>		<b>10,048,722,560</b>		<b>1,219,211,972</b>		
<b>Expenses</b>													
Compensation of employees- Exchequer	2,435,333,992		25,000,000		2,460,333,992		2,460,333,992		2,768,127,796		(307,793,804)		113%
Compensation of employees- Collaborators	3,578,280,276				3,578,280,276		3,578,280,276		3,861,866,764		(283,586,488)		108%
Goods and services-Exchequer	961,791,008				747,791,008		747,791,008		1,236,997,981		(489,206,973)		165%
Goods and services- Collaborators	2,043,105,312				2,043,105,312		2,043,105,312		2,525,123,774		(482,018,462)		124%
<b>Total expenditure</b>	<b>9,018,510,588</b>				<b>8,829,510,588</b>		<b>8,829,510,588</b>		<b>10,392,116,315</b>		<b>(1,562,605,727)</b>		
<b>Surplus for the period</b>					-		-		<b>(343,393,755)</b>		<b>(343,393,755)</b>		



### Budget notes

1. During the FY 2022/23 year there was full utilization of the budget. (IPSAS 24.14)
2. During the FY 2022/23 the original budget reduced by Kshs 25M for recurrent and Kshs 164M for Development being reduction of exchequer due to cost cutting measures by The National Treasury. (IPSAS 24.29)

### 1. General Information

The Kenya Medical Research Institute (KEMRI) is a State Corporation established under The State Corporations Act, Legal Notice No. 35 as a Research Institute under Section 16 (2) and Section 53 as read with the Fourth Schedule of the Science ,Technology and Innovation Act, 2013 as the national body responsible for carrying out health research, innovation, capacity -building and service delivery for the improvement of human health and quality of life ,and advice the Government on matters related thereto.

### 2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the KEMRI. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.





### 3. Adoption of New and Revised Standards

#### i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an INSTITUTE's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an INSTITUTE's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting INSTITUTE provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the institute.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the institute's financial performance, financial position and cash flows.</li> </ol>



Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement.</b> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>

#### Notes to the Financial Statements (Continued)

- i. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.***

Standard	Effective date and impact:
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an institute.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

*i. Early adoption of standards*

The institute did not early – adopt any new or amended standards in the financial year

#### 4. Summary of Significant Accounting Policies

##### a) Revenue recognition

##### i) Revenue from non-exchange transactions

###### **Fees, taxes and fines**

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

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

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *institute* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

##### ii) Revenue from exchange transactions

###### **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. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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

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

###### **Interest income**

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

###### **Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the INSTITUTE'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.

### b) Budget information

The original budget for the Current FY was approved by the National Assembly on *3<sup>rd</sup> June 2022*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the institute upon receiving the respective approvals in order to conclude the final budget. Accordingly.

The institute's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

### Notes to the Budget

#### 1. Collaborators funds- Kshs 6,387 million

The collaborators funds during the year totalled Kshs 6,387M million compared to Kshs 4,960 million during 2021/22 FY. This is an increase of Kshs 1, 427 million (27%) as a result Increased donor funding during the year.

#### 2. Overheads- Kshs 417 million

The overheads income in 2022/23 FY is Kshs 417 million compared to Kshs 281 million in FY 2021/22, an increase of Kshs 136 million (48%). Management have keenly followed up on all new project funds to ensure that overheads are included.

#### 3. Interest on investments- Kshs 1.7million.

The Interest on investment decreased to 1.7 million in 2022/23 FY from Kshs 26.7 million as a result of interest liquidation of the investment in Treasury bills.

#### 4. Revenue Generating- Kshs 168 Million.

The Institute generated Kshs 168 Million on income generating activities during 2022/23 FY compared to Kshs 152 million in 2021/22 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 Kshs 2,768 million compared to Kshs 2,576 million in 2021/22 FY; an increase of 8%. The 2022/23 FY employee cost included Kshs the personnel cost of the 29 employees reinstated by the court (Agnes Muthoni & 34 Others).



The Compensation for employees for collaborators increased during the FY 2022/23 to Kes 3,953,926,216 from 3,294,360,119 in FY 2021/22. This was due to increased operations by the projects in the FY 2022/23.

#### **Use of Goods**

During the FY 2022/23 the Exchequer use of goods reduced from Kes 1,273,711,236 in the FY 2021/22 to Kes 1,236,997,981 in FY 2022/23. This includes Kes 322,434,108 depreciation charge for the year.

Collaborators use of goods increased from Kes 1,666,514,478 in the FY 2021/22 to Kes 2,433,064,323 in FY 2022/23 which was Kes 482,018,462 above the budget due to increased donor funding and operations by the projects.

### **c) Taxes**

#### **Current income tax**

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

#### **Deferred tax**

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *institute* and the same taxation authority.

**Sales tax**

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

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

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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 were amended for the FY2021-2022 as follows:

Office and residential buildings	2.0%
Office and medical equipment	12.5%
Office furniture	12.5%
Motor Vehicle	16.67%
Computer and related equipment	30%
Boat	5%
Intangible assets–IPSAS 31	12.5%



#### **f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *institute*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *institute* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *institute* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

#### **g) Intangible assets**

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

#### **h) 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:

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

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



## i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The institute does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one institute and a financial liability or equity instrument of another institute. At initial recognition, the institute measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### α) Financial assets

#### Classification of financial assets

The institute classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the institute's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an institute has made irrevocable election at initial recognition for particular investments in equity instruments.

#### Subsequent measurement

Based on the business model and the cash flow characteristics, the institute classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

#### Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized



in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### **Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

#### **Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the institute manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

#### **Impairment**

The institute assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The institute recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 19*.

### **β) Financial liabilities**

#### **Classification**

The institute classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

#### **j) Inventories**

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

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

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

**k) Provisions**

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

**l) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The institute recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the institute will incur in fulfilling the present obligations represented by the liability.

**m) 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. During the Year KEMRI had a contingent liability in relation to legal case for the contracted cleaning services. However the monthly invoices have been accrued in the financial statements.

**n) Contingent assets**

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

**o) Nature and purpose of reserves**

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

**p) Changes in accounting policies and estimates**

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



#### q) Employee benefits

##### Retirement benefit plans

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

#### r) Foreign currency transactions

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

#### s) Borrowing costs

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

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

#### t) Related parties

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

#### u) Service concession arrangements

The *institute* analyses all aspects of service concession arrangements that it enters 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.

**v) Cash and cash equivalents**

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

**w) Comparative figures**

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

**x) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions.**

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

**Useful lives and residual value**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future



use and value from disposal:

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

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

### 6. Transfers from Other Government entities

#### (a)

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Conditional grants</b>		
Recurrent	2,757,000,002	2,602,500,000
Development	257,000,000	249,405,543
Emergency Funds-COVID		
<b>Total government grants and subsidies</b>	<b>3,014,000,002</b>	<b>2,851,905,543</b>

#### b) Transfers from Ministries, Departments and Agencies (MDAs)

#### (b)

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Health - Recurrent					2,757,000,002
Research & Development Grant					257,000,000
<b>Total</b>	-				<b>3,014,000,002</b>



## 7. COLLABORATORS

Description	2022-2023	2021-2022
	Kshs	Kshs
Collaborators Funds	6,386,990,539	4,960,874,597
Contributed revenue		
<b>Total revenue from the rendering of services</b>	<b>6,386,990,539</b>	<b>4,960,874,597</b>

## 8. Rental Revenue from Facilities and Equipment

Description	2022-2023	2021-2022
	Kshs	Kshs
Rent from Institutional houses	28,215,904	29,710,850
Contingent rentals		
<b>Total rentals</b>	<b>28,215,904</b>	<b>29,710,850</b>

## 9. Finance Income

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash investments and fixed deposits	-	-
Interest income from Treasury Bills	1,736,466	26,064,017
<b>Total finance income – external investments</b>	<b>1,736,466</b>	<b>26,064,017</b>

## 10. Other Income

Description	2022-2023	2021-2022
	Kshs	Kshs
Revenue Generating Activities	168,028,469	152,870,451
Graduate Program (ITROMID)	26,871,500	26,773,611
Miscellaneous Income	3,248,955	5,756,072
Sundry Income - Overheads	417,458,332	281,441,398
<b>Total other income</b>	<b>615,607,256</b>	<b>466,841,531</b>



## 11. Use of Goods and Services

Description	2022-2023 Kshs	2021-2022 Kshs
Electricity	110,172,856	92,930,518
Water	9,670,735	8,334,461
Subscriptions	4,095,504	3,420,460
Laboratory reagents & supplies	43,864,250	29,787,628
Purchase of drugs & dressings/staff clinic	8,617,055	2,425,413
Purchase of animal feeds	371,800	279,137
Research Programs -Internal	19,091,250	35,101,148
Research funding	6,953,830	42,000
Research Materials	3,686,017	725,715
Graduate School Charter	13,221,204	17,766,712
Commercial Enterprise Purchase A/C	34,271,106	46,962,681
Research Grants Coordination	17,547,131	12,803,885
Transport	46,990,788	42,584,365
Travelling & accommodation	85,286,141	73,698,398
Legal expenses	20,997,881	14,107,377
External travelling & accommodation.	14,906,543	13,639,794
Postal & telegrams	302,469	1,783,169
Telephones	3,341,847	4,725,687
Official entertainment	164,437	845,199
Conferences, Seminars & Workshops	27,811,479	26,506,846
Purchase of consumable stores	5,265,008	500,431
Publishing & printing	4,778,151	2,116,784
Purchase of uniforms & clothing	1,722,411	1,611,000
Library Expenses	725,370	1,247,180
Purchase of stationery	7,448,326	10,079,355
Advertising, publicity & shows	12,628,448	8,916,108
Industrial Diesel	5,747,660	2,190,624
Rents and rates	2,714,488	1,253,039
Computer Expenses	5,663,512	9,071,684
Internet service	32,173,919	19,089,786
Rapid Response/Emergency Expenses/ Outbreaks	3,692,125	1,079,187
Audit Fees	1,580,000	2,101,666
Fees Commission & Honoraria	10,209,500	10,398,989
Training	29,942,882	28,481,926
Insurance - Fire and burglary	923,900	4,376,900
Insurance - Motor Vehicle	14,144,211	12,221,192
Prevention of Drugs & Substance Abuse	186,700	1,072,150
Financial control & Inspections/Internal audit	9,917,074	9,270,855
Staff Welfare	8,956,365	1,077,845





Strategic Initiatives	53,057,924	41,401,666
Gender Mainstreaming	641,224	220,400
Disability Mainstreaming	714,000	
Bank Charges	2,708,935	2,912,752
Valuation of Fixed Assets	7,228,925	582,500
Devolution Expenses	2,440,406	813,090
Remittances-JKUAT	-	9,336,870
Human Resource Consultancy	10,069,275	6,481,315
HIV Awareness	534,200	187,650
CDC Vendors Debt	3,702,147	98,022,368
Erp License	16,240,523	11,250,400
Corruption Eradication	1,964,360	379,200
CCR catering services	5,963,458	5,968,348
COVID-19	7,095,060	7,548,140
Calibration of Assets	545,535	2,553,997
Pension Scheme- DBS	50,000,000	70,517,412
<b>Total good and services</b>	<b>792,690,344</b>	<b>812,803,402</b>

#### 12. Employee Costs

	2022-2023	2021-2023
	Kshs	Kshs
Basic Salary	1,546,616,086	1,418,152,907
Gratuity & pension contribution	260,262,304	243,016,402
House allowance	347,495,632	331,294,871
Other allowance	380,612,437	392,893,375
Medical allowance		
Passages & leave	6,977,985	6,681,000
Staff Insurance	46,519,308	48,868,830
Medical & Ex-gratia	179,644,044	135,847,653
<b>Employee costs</b>	<b>2,768,127,796</b>	<b>2,576,755,036</b>

#### 13. Board Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Sitting Allowance	6,450,000	9,859,055
Travel & Accommodation	15,254,116	16,302,610
Official Entertainment	890,900	1,182,206
Insurance	86,863	103,000
Honoraria	951,429	960,000
Telephone	71,357	72,000
Training	2,366,200	1,124,600
<b>Total Board Expenses</b>	<b>26,070,865</b>	<b>29,603,471</b>



## 14. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs	Kshs
Property Plant and Equipment	278,152,276	299,310,404
Investment Property	21,220,185	21,209,306
Intangible Assets	23,061,647	19,485,061
<b>Total depreciation and amortization</b>	<b>322,434,108</b>	<b>340,004,770</b>

## 15. Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs	Kshs
Maintenance. -Plant, mach.& equip.	12,198,724	12,675,289
Maintenance - buildings & stations	24,013,937	25,918,250
Maintenance of Water & Sewer	698,646	364,742
<b>Total repairs and maintenance</b>	<b>36,911,308</b>	<b>38,958,281</b>

## 16. Contracted Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Security Expenses	39,313,507	32,702,873
Contracted Services - Cleaning	19,577,849	19,638,439
<b>Total contracted services</b>	<b>58,891,356</b>	<b>52,341,312</b>

## 17. Grants and collaborators expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Staff Costs	3,953,926,216	3,294,360,119
Bank Charges	2,140,724	2,153,167
Training	6,421,618	8,538,291
Laboratory Supplies	126,315,554	182,208,609
Travelling and Accommodation	206,462,938	235,562,528
Motor Vehicle Expenses	39,007,134	39,987,318
Purchase of assets	20,350,779	109,171,232
Other Operating Expenses	2,032,365,576	1,088,893,334
<b>Total Collaborators Expenses</b>	<b>6,386,990,539</b>	<b>4,960,874,597</b>

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS



## 18. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current account	1,259,928,060	832,176,653
Cash at Hand	-	-
<b>Total cash and cash equivalents</b>	<b>1,259,928,060</b>	<b>832,176,653</b>

(During the financial year 2022/23 the cash and cash equivalent totalled to kshs 1,259,928,060 which agrees with the list of bank accounts and no variations recorded from previous year.)

## Detailed analysis of the cash and cash equivalents

		2022-2023	2021-2022
Financial institution	Account number	Kshs	Kshs
<b>a) Current account</b>			
KCB			
Exchequer	1104161362	21,725,990	1,672,286
ITROMID Account	1104167611	35,045,420	34,954,561
RGA	1104174529	1,060,819	28,092,367
Production Department	1104166194	18,887,958	4,557,806
Conference Collection	1112776850	16,100,358	12,394,391
External Grants	1104158574	867,593,023	378,180,531
IPM	1110258925	940	120
KEMRI CDC	1104175975	1,017,846	1,018,911
Local Grants	1104161966	162,320	46,867,484
Dollar Account	1168110491	26,506	27,201,094
Euro Account	1170930956		-
CDC/Non Grants Accounts	1123818177	2,225,950	2,227,015
Welcome Trust	1110259204	7,888,394	7,889,459
CDC Research Grants	1101722291	114,433,653	93,540,042
<b>Family Bank</b>			
Mortgage Account	46000014289	143,621,426	143,621,426
Kemri Oxford University	46000012346	182,556	182,556
<b>Cooperative bank</b>			
CNHR RLGA	1128126178201	197,266	197,266
CNHR RLGA	1128126178200	1,277,805	3,671,070
CNHR RLGA	,1128126178202	285,781	285,781
CNGR RLGA	1128126178203	8,827,395	15,095,972
KEMRI IPM SUBA	1128126178700	2,911,223	2,937,743
KEMRI EAST AFRICA	,1128126671100	16,455,432	27,588,776
KEMRI/EDCPT	,1128127558400		
<b>Sub- total</b>		<b>1,260,205,990</b>	<b>832,176,655</b>
cash in hand		-	-
M-pesa		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>1,259,928,060</b>	<b>832,176,655</b>



## 19. Receivables from Exchange Transactions

## (a) Receivables from Exchange Transactions

	2022-2023	2021-2022
	Kshs	Kshs
<b>Current receivables</b>		
Graduate school – Outstanding Fees	111,049,874	109,733,250
Interest Receivable	-	11,431,734
Sande Makhandia & Co. Advocates	120,000,000	120,000,000
Ngetich Ciira Advocates	-	5,848,220
Advances to Centres	51,868,952	61,741,891
Staff advances	250,566,190	320,192,967
Over remitted Statutory Deduction	36,925,983	71,026,348
Miscellaneous	22,234,594	22,235,595
Customers Control Account	230,134,914	194,702,344
Net Salary Payable	31,133,112	46,970,105
<b>Total Receivables</b>	<b>853,913,619</b>	<b>963,882,454</b>
Less: impairment allowance	(163,609,492)	(163,609,492)
<b>Total current receivables</b>	<b>690,304,127</b>	<b>800,272,962</b>

(Included in receivables of Kshs 840M there is an amount of Kshs 111M relating to outstanding graduate school fees and Kshs 120M receivable from Sande makhadia & co Advocates. However, there is a likely hood some of this funds may not be received and hence impaired kshs 163M)

## (b) Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Current receivables</b>		
Capitation-Recurrent	630,288,522	139,371,855
<b>Total Receivables</b>	<b>630,288,522</b>	<b>139,371,855</b>
Less: impairment allowance	-	-
<b>Total current receivables</b>	<b>630,288,522</b>	<b>139,371,855</b>

## 20. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Other goods held for resale	12,268,311.00	3,222,568.00
<b>Total inventories at the lower of cost and net realizable value</b>	<b>12,268,311.00</b>	<b>3,222,568.00</b>



## 21. Investments in financial assets

Description	2022-2023	2021-2022
	Kshs	Kshs
CBK-Treasury Bills		386,831,800
CBK-Fixed Account	-	-
<b>Grand total</b>	<b>-</b>	<b>386,831,800</b>

(During the financial year 2022/23 the institute did not invest in the fixed investment financial assets.)

## 22. Property, Plant and Equipment

	LAND		OFFICE BUILDING		ROADS		MOTOR VEH.		MOTOR BOAT		FURNITURE		COMPUTER		OFFICE & MEDICAL EQUIPMENT		CAPITAL WORK IN PROGRESS		TOTAL		
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost																					
At 30th June 2021	15,767,933,880	3,975,404,067	37,101,725	350,820,842	2,638,103	111,527,340	191,942,298	928,381,951	6,360,299	21,372,110,505											
Additions	-	18,276,172	-	17,589,750	-	7,301,737	8,866,320	43,314,165	27,984,359	123,332,503											
Disposals																					
Revaluation																					
Transfers/adjustments																					
At 30th June 2022	15,767,933,880	3,993,680,240	37,101,725	368,410,592	2,638,103	118,829,077	200,808,618	971,696,116	34,344,658	21,495,443,008											
Additions		40,642,632		5,898,750		3,392,081	4,601,660	45,384,392	761,000	100,680,516											
Disposals																					
Revaluation	(150,000,000)																				
Transfer/adjustments																					(32,785,481)
At 30th June 2023	15,617,933,880	4,034,322,872	37,101,725	374,309,342	2,638,103	122,221,158	205,410,278	1,017,080,508	2,320,177	21,413,338,042											
Depreciation and impairment																					
At 30th June 2021	-	494,481,569	1,681,646	167,306,872	1,319,512	28,782,241	157,033,018	411,859,216	-	1,262,464,074											
Depreciation	-	79,873,605	927,543	55,119,652	131,905	14,853,635	26,952,572	121,451,491	-	299,310,404											
Disposals																					
Impairment																					
At 30th June 2022	-	574,355,174	2,609,189	222,426,524	1,451,417	43,635,877	183,985,590	533,310,707	-	1,561,774,477											
Depreciation		80,567,199	927,543	48,500,747	131,905	14,363,931	13,783,979	119,876,971		278,152,276											
Disposals																					
Impairment																					
Transfer/adjustment																					
Fully Depreciated Assets																					
At 30th June 2023	-	654,922,373	3,536,732	270,927,271	1,583,322	57,999,808	197,769,569	653,187,678	-	1,839,926,753											
Net book values																					
At 30th June 2023	15,617,933,880	3,379,400,499	33,564,993	103,382,072	1,054,781	64,221,350	7,640,708	363,892,830	2,320,177	19,573,411,289											
At 30th June 2022	15,767,933,880	3,419,325,066	34,492,536	145,984,069	1,186,686	75,193,200	16,823,028	438,385,409	34,344,658	19,933,668,531											



## Valuation

Land was valued by The Ministry of Transport, Infrastructure, Housing and Urban Development (State Department for Housing and Urban Development) professional valuers from the government in line with the National Assets and Liabilities Management Policy and Guidelines (issued 30<sup>th</sup> June 2020). The assets were revalued by State Department for Housing and Urban Development professional valuers on 17<sup>th</sup> August 2020.

### 23. Intangible Assets

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Cost</b>		
<b>At beginning of the year</b>	<b>219,059,151</b>	<b>177,936,111</b>
Additions—internal development	34,237,756	41,123,040
<b>At end of the year</b>	<b>253,296,907</b>	<b>219,059,151</b>
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	<b>149,313,662</b>	<b>129,828,601</b>
Amortization	23,061,647	19,485,061
<b>At end of the year</b>	<b>172,375,308</b>	<b>149,313,662</b>
<b>NBV</b>	<b>80,921,598</b>	<b>69,745,489</b>

### 24. Investment Property

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>At beginning of the year</b>	<b>1,060,465,279</b>	<b>1,060,465,279</b>
Additions	1,096,956	-
<b>At end of the year</b>	<b>1,061,562,235</b>	<b>1,060,465,279</b>
<b>Depreciation</b>		
<b>At beginning of the year</b>	<b>128,922,587</b>	<b>107,713,281</b>
Depreciation	21,220,185	21,209,306
<b>At end of the year</b>	<b>150,142,772</b>	<b>128,922,587</b>
<b>NBV</b>	<b>911,419,463</b>	<b>931,542,692</b>

*(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.) institute should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.*



## 25. Trade and Other Payables

Description	2022-2023	2021-2022
	Kshs	Kshs
Graduate School prepayments	23,140,606	24,271,738
Mortgage Scheme	4,000	76,696,566
Retention Money	28,418,931	25,082,611
Un-remitted Statutory Deductions	41,142,035	115,024,963
Suppliers Control Account	358,811,304	311,502,429
Unremitted staff deductions	271,632,683	131,387,561
JKUAT Remittance	-	4,533,450
External Grants	13,199,864	7,037,115
<b>Total trade and other payables</b>	<b>736,349,426</b>	<b>695,536,433</b>

## 26. Refundable Deposits and Prepayments from Customers

Description	2022-2023	2021-2022
	Kshs	Kshs
Caution Money	5,757,000	5,393,000
Research Fees	204,669	204,669
Other Deposits	44,333,940	44,333,940
<b>Total Refundable Deposits from Customers</b>	<b>50,295,609</b>	<b>49,931,609</b>

The deferred income movement is as follows:

## 27. Deferred Income

Description	2022-2023	2021-2022
	Kshs	Kshs
National government	102,180,111	111,876,257
Collaborators		
<b>Total deferred income</b>	<b>102,180,111</b>	<b>111,876,257</b>

## 28. Grant Fund

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	1,720,442,389	1,271,344,834
Fixed Deposit		
<b>Total deposits</b>	<b>1,720,442,389</b>	<b>1,271,344,834</b>



### Retirement benefit Asset/ Liability

The institute operates a defined benefit scheme for all full-time employees from July 1, 2000. The scheme is administered by Zamara Actuaries while Standard Chartered Bank are the custodians of the scheme.

#### i) Credit risk

The institute has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the institute's management based on prior experience and their assessment of the current economic environment.

### Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the institute has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the institute's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

#### ii) Liquidity risk management

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

## 29. Related Party Disclosures

### Nature of related party relationships

KEMRI Staff Retirement Benefit Scheme. The pension fund lost Kshs 597,000,000.00 in the hands of the former trustees and the Institute has been making a payment to the scheme. However, the case is being handled by the E.A.C.C and asset recovery is ongoing from the former Trustee.

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



### **Government of Kenya**

The Government of Kenya is the principal shareholder of Kenya Medical Research Institute, holding 100% of the *Institute's* equity interest.

### **Other related parties include:**

- i. The Parent Ministry.
- ii. County Governments
- iii. Other SCs and SAGAs
- iv. Key management.
- v. Board of directors.

### **30. Events after the Reporting Period**

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

### **31. Ultimate And Holding Institute**

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

### **32. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

### **33. Mtwapa Land.**

KEMRI has a parcel of land located in Mtwapa, Kilifi County of L.R No. MN/III/1676 measuring 0.0454 hectares, the institute did not have a value for the land to include in the financial statements however the land has now been valued and will be included in the financial statements in the 2023/24.



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

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

Issue	Query	Management Response	Resolved/ Not Resolved																											
<b>REPORT ON THE FINANCIAL STATEMENTS</b>																														
<p><b>1.Material Uncertainty to Going Concern</b></p>	<p>The statement of financial performance reflects a deficit of Kshs.492,944,330 in comparison with deficit of Kshs.272,161,916 for the comparative period leading to a decline in the accumulated reserves from Kshs.1,221,187,024 in 2020/21 to Kshs.728,242,694 in the current period. If the trend continues into the foreseeable future, the Institute may not be able to meet its obligations as and when they fall due.</p> <p>In the circumstances, the Institute sustainability of research services is heavily dependent on continued support by the Government, collaborators/ donors and creditors.</p>	<p>During the year, the deficit was occasioned by change in depreciation rate as guided by <b>The Treasury guidelines policy on asset and liability management in the public sector of 2020. The depreciation charge for the year increased from Kshs 146,083,403 to Kshs 340,035,954 being an increase of Kshs 193,952,551. Depreciation is a non- financed vote head hence contributing to the deficit for the year.</b></p> <table border="1" data-bbox="603 456 919 1111"> <thead> <tr> <th colspan="3" style="text-align: center;">Depreciation Rates Changes</th> </tr> <tr> <th>Depreciation</th> <th>2019/2020</th> <th>2020/2021</th> </tr> </thead> <tbody> <tr> <td>Office &amp; Residential Building</td> <td>1.0%</td> <td>2.0%</td> </tr> <tr> <td>Office &amp; Medical Equipment</td> <td>2.5%</td> <td>12.5%</td> </tr> <tr> <td>Office Furniture</td> <td>2.5%</td> <td>12.5%</td> </tr> <tr> <td>Motor Vehicle</td> <td>5.0%</td> <td>16.7%</td> </tr> <tr> <td>Computer and related equipment</td> <td>25.0%</td> <td>30.0%</td> </tr> <tr> <td>Boat</td> <td>5.0%</td> <td>5.0%</td> </tr> <tr> <td>Intangible Assets- IPSAS 31</td> <td>25.0%</td> <td>12.5%</td> </tr> </tbody> </table>	Depreciation Rates Changes			Depreciation	2019/2020	2020/2021	Office & Residential Building	1.0%	2.0%	Office & Medical Equipment	2.5%	12.5%	Office Furniture	2.5%	12.5%	Motor Vehicle	5.0%	16.7%	Computer and related equipment	25.0%	30.0%	Boat	5.0%	5.0%	Intangible Assets- IPSAS 31	25.0%	12.5%	Resolved
Depreciation Rates Changes																														
Depreciation	2019/2020	2020/2021																												
Office & Residential Building	1.0%	2.0%																												
Office & Medical Equipment	2.5%	12.5%																												
Office Furniture	2.5%	12.5%																												
Motor Vehicle	5.0%	16.7%																												
Computer and related equipment	25.0%	30.0%																												
Boat	5.0%	5.0%																												
Intangible Assets- IPSAS 31	25.0%	12.5%																												
<p><b>2.Inaccurate Prior Year Adjustment</b></p>	<p>The statement of financial position reflects property, plant and equipment balance of Kshs.19,899,323,873 as disclosed in Note 24 to the financial statements. Included in the balance is Kshs.3,419,325,066 in respect to office buildings out of which Kshs.18,276,172 were additions that includes prior year adjustment of Kshs.749,310. However, the adjustment is not in line with International Public Sector Accounting Standard (IPSAS) 3 which requires all prior year adjustments to be affected through the previous period balances. In addition, a payment of Kshs.2,252,223 for modification of incinerator house at KEMRI Center for Infectious and Parasitic Disease Control Research (CPDCR) was classified under additions instead of work in progress since the works are incomplete.</p> <p>In the circumstances, the accuracy and the classification of office buildings of Kshs.3,419,325,066 for the year ended 30 June 2022 could not be confirmed.</p>	<p>Kshs. 749,310 relates to a credit note raised during the year under review whose expense was in prior year. The same has been properly adjusted against accumulated reserves in the revised financial statements.</p>	Resolved																											
<p><b>3.Undisclosed Motor Vehicles</b></p>	<p>Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.19,933,637,347 as at 30 June 2022. Included in this balance is Kshs.145,984,069 in respect to motor vehicles and motorcycles. However, review of the logbooks revealed that sixty-six (66) motor vehicles were not disclosed in the fixed assets register and their value was not reflected in the financial statements.</p> <p>In the circumstances, the accuracy and fair statement of motor vehicle balance of Kshs.145,984,069 for the year ended 30 June, 2022 could not be confirmed.</p>	<p>The 66 Motor vehicles were project vehicles (COAG) that were donated to KEMRI after completion of the research project. However, the vehicles did not have Net book value hence were not included in the fixed asset register. The institute has undertaken a valuation exercise with ministry of Public works to ascertain the value of the motor vehicles. The full report is yet to be released by the Ministry of public works and the values will be reflected in the financial statement for the year 2022/2023. A note has been included the revised financial statement to disclose the motor vehicles.</p>	Resolved																											



<p><b>4. Unconfirmed Trade and Other Payables</b></p>	<p>The statement of financial position also reflects trade and other payables from exchange transactions balance of Kshs.695, 536,433 as disclosed in Note 27 to the financial statements. The balance includes suppliers control account totaling Kshs.311, 502,429 however, the invoices, contracts and other supporting documents were not provided for audit review. Included in the balance also were unremitted statutory and staff deductions of Kshs.115,024,963 and Kshs.131,387,560 respectively but there were no schedules from payroll to confirm. Failure to submit deductions on the due dates exposes the organization to unnecessary charging of interests and penalties.</p> <p>In the circumstances, the accuracy and fair statement of trade and other payables from exchange transactions balance of Kshs.695, 536,433 as at 30 June, 2022 could not be confirmed.</p>	<p>Attached please find a schedule of all suppliers for your review. <b>Appendix I-Soft Copy</b></p>	<p>Resolved</p>
<p><b>5. Variance in Development Conditional Grants</b></p>	<p>The statement of financial performance reflects transfer from other government entities of Kshs.2, 851,905,543 as disclosed in Note 6 to the financial statements. The amount includes development conditional grants of Kshs.249, 405,543 but review of the bank statements revealed transfers of Kshs.178, 650,000 resulting to unexplained variance of Kshs.70, 755,543. In addition, the amount differs with budgeted amount of Kshs.206, 500,000 reflected in the statement of comparison of budget and actual amounts.</p> <p>In the circumstances, the accuracy and completeness of development conditional grants of Kshs.249, 405,543 for the year ended 30 June, 2022 could not be confirmed.</p>	<p>During the financial year 2021/22 the development income realized was the exchequer receipts of 178,650,000 and 70,755,543 from deferred income received in prior year.</p>	<p>Resolved</p>
<p><b>6. KEMRI Staff Retirement Benefit Scheme Liability</b></p>	<p>Note 11 to the financial statements reflects use of goods and services of Kshs.812,803,402 out of which Kshs.70,517,412 relates to pension scheme (DBS) expenditure made to KEMRI Staff Retirement Benefit Scheme due to loss of funds by the former pension trustees. However, documents provided for audit revealed that KEMRI was absolved from all liabilities and therefore the basis of making this payment was not supported by the approvals from the board. In addition, the amount was not supported by a ledger showing total liability and amounts paid to date.</p> <p>In the circumstances, the validity of the obligation to the pension scheme (DBS) of Kshs.70, 517,412 for the year ended 30 June, 2022 could not be confirmed.</p>	<p>A disclosure note has been in the financial statement on the loss of funds relating to the pension scheme and KEMRI was absolved from all liabilities. However, the case is with EACC and assets were recovered from former KEMRI Director Dr Davy Koech and awaiting liquidation. As the institute awaits the liquidation of funds held in treasury, the KEMRI sought authority to pay the retiring employees from treasury this was to minimize on cases of retired staff who sued KEMRI.</p>	<p>Not Resolved- Ongoing</p>
<p><b>7. Failure to Recover Deposits</b></p>	<p>Note 20(a) to the financial statement for the year ended 30 June 2022 reflects receivables from exchange transactions of Kshs.783,272,962 out of which Kshs.5,848,220 was a deposit made to law firm that represented the institute in a case on the auction of a motor vehicle at Kshs.200,000. The matter was determined in favor of the institute but the deposit has not yet been refunded.</p> <p>In the circumstances, the accuracy and completeness of receivables from exchange transactions of Kshs.783, 272,962 for the year ended 30 June, 2022 could not be confirmed.</p>	<p>After KEMRI won in the High Court, on 12<sup>th</sup> May 2022, we asked our external advocates to remit the funds back to us. The e-mail to this effect is provided. They have now promised to remit the funds by March 31st 2023. They explained that the delay is due to the fact that one of their partners is in India for treatment hence he has not been able to sign off on the same. The recovery will be effected in our books in the FY 2022/23.</p>	<p>Resolved</p>



<p><b>8. Unsupported Accounts Receivables</b></p>	<p>Note 20(a) to the financial statements reflects receivables from exchange transactions balance of Kshs.783, 272,962. Included in the balance is Kshs.140,232,048 comprising of over remitted statutory deduction of Kshs.71,026,348, net salary payable of Kshs.46,970,105 and miscellaneous of Kshs.22,235,595. However, these items were erroneously classified under receivables while no supporting documentation or explanations for its anomaly were provided.</p> <p>In the circumstances, the accuracy, existence and fair statement of receivables from exchange transactions of Kshs.783, 272,962 for the year ended 30 June, 2022 could not be confirmed.</p>	<p>The human resource, finance, ICT and system developer are working hand in hand to establish the true position and the necessary adjustments will be effected in the FY 22/23.</p>	<p>Not Resolved- Ongoing</p>
<p><b>9. Understatement of Administration Fees</b></p>	<p>Note 10 to the financial statements reflects other income amount of Kshs. 449,841,531 which includes sundry income of Kshs.264,441,398 out of which administration fees of Kshs.19,595,398 was received from a collaborator. However, re-computation revealed the amount to be Kshs.36, 595,398 resulting to understatement of Kshs.17, 000,000.</p> <p>In the circumstances, the accuracy and completeness of sundry income amount Kshs.19, 595,398 for the year ended 30 June, 2022 could not be confirmed.</p>	<p>Kshs 17,000,000 has been accrued in the revised financial statements.</p> <p>The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Medical Research Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.</p>	<p>Resolved</p>
<p><b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b></p>			
<p>1. <b>Unapproved Mortgage Fund</b></p>	<p>The statement of financial position reflects cash and cash equivalent balance of Kshs.832, 176,653 (2021 – Kshs.640, 677,300) as disclosed in Note 19 to the financial statements. The amount includes mortgage account balance of Kshs.143, 621,425 and the institute entered into an agreement on 02 March, 2012 with a bank to provide employees with special housing scheme. However, there was no approval from the Cabinet Secretary to manage this Fund. This was contrary to Regulation 207 (1) (g) of the Public Finance Management (National Government) Regulations, 2015 which requires the Cabinet Secretary to grant approval in writing before establishment of a Fund. In addition, the Fund's financial statements were not prepared contrary to Section 81(1) &amp; (4) of the Public Finance Management Act, 2012 which requires an Accounting Officer for a National Government institute to prepare financial statements and submit the same to the Auditor-General.</p>	<p>The board has approved in October 2022, the mortgage policy and car loan policy. The management has taken upon itself and has appointed a Mortgage and car Loan Committee to oversee the process. Attached please a copy of the committee members together with their terms of reference. <b>Appendix II</b></p>	<p><b>Not Resolved- Ongoing</b></p>
<p>2. <b>Non-Payment of Withheld Taxes</b></p>	<p>In the circumstances, Management was in breach of the law.</p> <p>Note 11 to the financial statements for the year ended 30 June 2022 reflects Kshs.14, 107,377 in respect to legal expense. Examination of payment vouchers and supporting documents revealed that the institute was instructed by the court to pay paid an employee Kshs.3,210,800 but paid only Kshs.2,247,623 resulting a variance of Kshs.963,257. The amount relates to withheld statutory deduction which was not remitted to Kenya Revenue Authority contrary to Section 94(1) (a) of Public Finance Management Act, 2012 which states that a state organ or public institute is in serious material breach of the measure established under the Act if it has failed to make payments as and when due and has defaulted financial obligations for financial reasons</p>	<p>The PAYE has been processed attached is the payment voucher. <b>Appendix III</b></p>	<p><b>Resolved</b></p>



<p>1. <b>Irregular Direct Procurement</b></p>	<p>Note 17 to the financial statement reflects collaborators expenses balance of Kshs.5,052,460,536 as at 30 June 2022. Included in this balance is Kshs.182,208,609 in respect to laboratory supplies out of which is Kshs.4,466,373 relating to purchase of goods, works and services for various research projects paid through cash advanced to employees without adhering to procurement due process. This is contrary to the second schedule of the Public Procurement and Asset Disposal Regulation 2020 which sets the maximum low value procurement at Kshs.50,000 per item per financial year.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>This is well noted. However we appreciate the fact that research comes with its own dynamics. For example for clinical research trials drugs can only be purchased after diagnosing a patient secondly while in the field in remote areas, some reagents have a short shelf life and have to be stored at certain temperatures that will only allow purchasing them on spot and using them on spot so that research outcomes is not compromised .On the same note the management is also emphasizing of the maximum low value procurement.</p>	<p>Management response not satisfactory. <b>Retain</b></p>
<p>2. <b>Irregular Foreign Currency Accounts held at Commercial Banks</b></p>	<p>Note 19 (a) to the financial statements reflects cash and cash equivalent balance of Kshs.832,176,655 in respect of twenty-four (24) bank accounts. Included in this list are two (2) foreign currency accounts (Dollar and Euro Account) held at Kenya Commercial Bank. This was contrary to Regulation 76 (2) of the Public Finance (National Government Regulations) 2015 which requires all foreign currency designated bank accounts be kept at the Central Bank of Kenya unless exempted in writing by the Cabinet Secretary.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The bank accounts were opened prior to the PFM Act and regulations. However, the management will initiate the process of regularizing holding of foreign currency accounts</p>	<p>Ongoing</p>
<p>3. <b>Non-Compliance with the One-Third of Basic Salary Rule</b></p>	<p>During the year ended 30 June, 2022, three hundred and twenty-six (326) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. Management has not explained the failure to comply with the policy.</p> <p>In the circumstances, the Institute contravened Section C.1 (3) of the Public Service Commission (PSC) Human Resource Policies, 2016 and this may expose the staff to pecuniary embarrassment.</p>	<p>The management has effected the one-Third of Basic Salary Rule in the February 2023 payroll. <b>Appendix IV</b></p>	<p>Resolved</p>
<p>4. <b>Unconfirmed Consumption of Fuel</b></p>	<p>The statement of financial performance reflects use of goods and services amount of Kshs.812,803,402 as disclosed in Note 11 to the financial statements. Included in the amount are transport expenses of Kshs.42,584,365. A review of the suppliers' fuel statements revealed expenditure of Kshs.24,120,344 in respect to sixteen (16) fuel cards that were not assigned to specific vehicles and therefore prone to misuse</p> <p>In the circumstances, value for money on fuel expenditure of Kshs.24,120,344 could not be confirmed.</p>	<p>The ERP has a fleet management module which will capture fuel consumption per vehicle. The management is also in the process of engaging the supplier to come up with a better way of showing the consumption per vehicle when using the general card.</p>	<p>Resolved</p>
<p><b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b></p>			

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE		
<p>1. <b>Weakness in the Payroll system</b></p>	<p>The statement of financial performance reflects an amount of Kshs.2,576,755,036 in respect to compensation of employees. Analysis of the payroll revealed that Kshs.98,417,206 was captured in the bank remittance but was not captured in the payroll system. Further, the Complement data for Compensation of employees- Collaborators was not provided for audit. It was therefore not possible to determine the accuracy of the payroll due to lack of key information such as job group, duration of the project, KRA PIN, ID number among others.</p> <p>In the circumstances, the accuracy and completeness of compensation of employees of Kshs.2,576,755,026 could not be confirmed.</p>	<p>The Payroll Team liaised with the system developer to resolve the issue and this has since been resolved. The system is able to generate accurate reports with Complement data. Kshs. 98,417,206 has been rectified. <b>Appendix V soft copy</b></p>
<p>2. <b>Incomplete Ledgers</b></p>	<p>The statement of financial performance reflects an amount Kshs 8,811,340,869 as total expenses. The amount is supported by ledgers which contain individual transactions that support the figures in the financial statement. The ledgers lacked key information on the name of the payee receiving the payment.</p> <p>In the circumstances, completeness and accuracy of the ledgers supporting the total expenses could not be confirmed.</p>	<p>This was a system issue that was corrected and revised schedules shared with the auditors. Attached is a sample of the ledgers with payee details. <b>Appendix VI</b></p>
<p>3. <b>Officers in Acting Positions Beyond Six Months Period</b></p>	<p>The statement of financial performance reflects employee costs of Kshs. 2,576,755,036 as disclosed in note 12 to the financial statements. Included in the amount is the salary for ten (10) officers in the management team in acting positions for more than six (6) months. This is contrary to Section C.14 (1) of the Human Resource Policies and Procedures Manual for the Public Service 2016 which states that "When an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.</p>	<p>The management is in the process of filling the acting positions following the Guidelines of Transition of the fourth to fifth administration as guided by memo OP/CAB.26/4A/VOL1.40. <b>Appendix VII</b></p> <p>In the circumstances, firm and effective decision making may not be realized.</p> <p>The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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.</p>

**Guidance Notes:**

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



Director General/C.E.O/M.

Date: 27/09/2023

Kenya Medical Research Institute wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

KENYA MEDICAL RESEARCH INSTITUTE												
Confirmation of amounts received as at 30th June 2023												
Reference	Date Disbursed	Recurrent (Kshs) (A)	Development (Kshs) (B)	Interministerial (Kshs) (C)	Total (Kshs) (D)	Amount Received by		Difference (Kshs) F= (D-E)				
						National Intelligence Service (NIS) as at 30th Jun-23	(Kshs) (E)					
1	Capitation July 2022	233,916,667.00	-	-	233,916,667.00	-	-	233,916,667.00				
2	Capitation August 2022	233,916,667.00	-	-	233,916,667.00	-	-	233,916,667.00				
3	Capitation September 2022	208,916,666.00	-	-	208,916,666.00	-	-	208,916,666.00				
4	Capitation October 2022	233,916,667.00	-	-	233,916,667.00	-	-	233,916,667.00				
5	Capitation November 2022	233,916,667.00	-	-	233,916,667.00	-	-	233,916,667.00				
6	Capitation December 2022	208,916,666.00	-	-	208,916,666.00	-	-	208,916,666.00				
7	Capitation January 2023	233,916,667.00	-	-	233,916,667.00	-	-	233,916,667.00				
8	Capitation February 2023	233,916,667.00	-	-	233,916,667.00	-	-	233,916,667.00				
9	Capitation March 2023	233,916,667.00	-	-	233,916,667.00	-	-	233,916,667.00				
10	Capitation April 2023	233,916,667.00	-	-	233,916,667.00	-	-	233,916,667.00				
11	Capitation May 2023	233,916,667.00	-	-	233,916,667.00	-	-	233,916,667.00				
12	Capitation June 2023	233,916,667.00	-	-	233,916,667.00	-	-	233,916,667.00				
10	Upgrading of Labs	-	14,250,000.00	-	14,250,000.00	-	-	14,250,000.00				
11	Upgrading of Labs	-	14,250,000.00	-	14,250,000.00	-	-	14,250,000.00				
12	Upgrading of Labs	-	28,500,000.00	-	28,500,000.00	-	-	28,500,000.00				
13	Research & Development	-	200,000,000.00	-	200,000,000.00	-	-	200,000,000.00				
	<b>Grand Total</b>	<b>2,757,000,002.00</b>	<b>257,000,000.00</b>	-	<b>3,014,000,002.00</b>	-	-	<b>3,014,000,002.00</b>				





*In Search of Better Health*



## CONTACT

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