

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

DATE: 12 APR 2022

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THE AUDITOR-GENERAL

ON

VETERINARY MEDICINES DIRECTORATE

**FOR THE YEAR ENDED
30 JUNE, 2020**



VETERINARY MEDICINES DIRECTORATE
P. O. Box 66171-00800
Westlands, Nairobi
Telephone: 0743795395
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**MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND
COOPERATIVES**

STATE DEPARTMENT OF LIVESTOCK

VETERINARY MEDICINES DIRECTORATE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Veterinary Medicines Directorate (VMD)
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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Veterinary Medicines Directorate (VMD) was established under the Veterinary Surgeons and Veterinary Paraprofessionals, Act CAP 366, on 16th September, 2011. The entity is domiciled in Kenya. The VMD Regulations, 2015 operationalize the entity. The operationalization VMD implements the National Livestock Policy as contained in Sessional Paper No. 2 of May 2008, which provides for the separation of the management of veterinary medicines from that of humans.

VMD is envisaged to have four departments once the structure is finalised. The departments include- product registration, inspectorate and pharmaco-vigilance, trade affairs, and administration and finance.

The management of the entity is vested on a Council appointed under the stated regulations.

(b) Principal Activities

VMD has a mandate to:

- (a) Regulate the manufacture, importation, exportation, registration, distribution, prescription and dispensing of veterinary medicines and the practice of veterinary pharmacy in Kenya; and
- (b) Advise the Kenya Veterinary Board in relation to all aspects listed under paragraph

The functions of VMD include:

1. Formulation and enforcement of quality assurance standards in the manufacture, distribution and use of veterinary medicines in order to safeguard human, animal and environmental health;
2. In consultation with the Directorate of Veterinary Services, regulate the use of veterinary medicines for the treatment of animals under the Animal Diseases Act;
3. Consideration of applications for approval of market authorization of veterinary medicines;
4. Setting quality assurance standards for training in the management of veterinary medicines as directed by the Kenya Veterinary Board;
5. Collaboration with the Kenya Veterinary Board in regulating training in the management of veterinary medicines;
6. Inspection and approval of premises in which the manufacture, sale or supply of veterinary medicines is conducted;
7. Appointment and gazettement of veterinary medicine inspectors;
8. Establishing Standard Operating Procedures for veterinary medicines' inspectors;
9. Regulation of veterinary pharmacy practices;
10. Categorization of veterinary medicines and qualifications of persons authorized to trade in each category and reviewing the categories every five years;
11. Regulation of clinical and non-clinical trials of veterinary medicines by individuals or institutions;
12. Regulation of the manufacture, importation, exportation, handling, advertisement, labeling, sale and disposal of veterinary medicines;

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

13. Registration of all veterinary medicines manufactured or imported for use in the country or exported from the country;
14. Monitoring the market and taking measures necessary for the elimination of trade in illegal and counterfeit veterinary medicines;
15. Establishment of systems of pharmaco-vigilance and conducting pharmaco-vigilance of veterinary medicines through regular inspections and surveys;
16. Enforcement of Good Manufacturing Practices for veterinary medicines as approved by the Council;
17. Development, application and review of guidelines for inspection and ensuring compliance with Good Manufacturing Practices;
18. Ensuring the promotion and marketing of veterinary medicines in accordance with the approved product information;
19. Publication on annual basis of a notice in the Kenya Gazette inviting the public to note and inspect the register of veterinary medicines and the list of approved veterinary practices within such period and at such place as may be specified in the notice;
20. Considering, granting, issuing or revoking authorization and certification in accordance with the Regulations;
21. Collaboration with other regulatory agencies including the Public Health (Standards) Board in Section 27 of the Food, Drugs and Chemical Substances Act, the Pest Control Products Board established under Section 5 of the Pest Control Products Act and the Central Board of Health established under Section 3 of the Public Health Act to carry its mandate and
22. Undertaking any other necessary action for effective carrying out of the Directorate's mandate under the Veterinary Surgeons and Veterinary Paraprofessionals Act or any other Act.

(c) Key Management

The Veterinary Medicines Directorate day-to-day management is under the following key organs:

1. Veterinary Medicines Council

The Council was appointed by the Cabinet Secretary as per section 8(1) of VMD regulations and consist of:-

- ❖ The Director of Veterinary Services who is the Chairperson- Dr. Obadiah N. Njagi
- ❖ The Registrar of the Pharmacy and Poisons Board- Fred Siyoi
- ❖ The Chief Executive Officer of the Kenya Veterinary Board- Indraph M. Ragwa
- ❖ The Principal Secretary for the time being responsible for Finance/ Alternate- Grace Nyarango
- ❖ The Principal Secretary for the time being responsible for animal health matters/Alternate- Christopher Wanga
- ❖ Three veterinary surgeons nominated by the Kenya Veterinary Board:
 - Josiah Mandieka M
 - Kenneth Mbogori
 - James M. Mbaria
- ❖ One of veterinary technologist from the veterinary pharmaceutical industry nominated by the Kenya Veterinary Board- Samson Moses Kiogora
- ❖ The Chief Executive Officer of the Directorate who's also the Secretary- Jane N. Njiru

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

2. Ag. Chief Executive Officer

By the closure of the financial year under reporting the Chief Executive Officer in an acting capacity was Dr. Jane N. Njiru.

3. Secretariat

The Secretariat consists of Four (4) heads of departments

(d) Fiduciary Management

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

No.	Designation	Name
1.	Council Chairman	Obadiah N. Njagi
2.	Ag.CEO	Jane N. Njiru
3.	Head of Accounts	Henry Matoke Momata
4.	Head of Procurement	Carolyn Waweru

(e) Fiduciary Oversight Arrangements

Veterinary Medicines Directorate (VMD) operates under the following committees:-

- ❖ Veterinary Medicines Registration Committee
- ❖ Administration and Finance Committee
- ❖ Audit and Risk management Committee
- ❖ Ad Hoc Committee

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

P.O. BOX 66171-00800
Pest Control Products Board Plaza
Off Waiyaki Way
WESTLANDS, NAIROBI.

(g) Entity Contacts

Telephone: (254)074379539
E-mail: VMD@kilimo.go.ke
Website: www.vmd.go.ke

(h) Entity Bankers

National Bank of Kenya
Westlands Branch
P.O.Box 1613-00606
Nairobi, Kenya

(i) Independent Auditors

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



(j) Principal Legal Adviser

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






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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

THE COUNCIL MEMBERS

 <p>1. Dr. Obadiah N. Njagi, PhD Veterinary Surgeon, Director of Veterinary Services and Chairman Veterinary Medicines Council- BVM, MSC, Ph.D</p>	<p>Born on 12th December, 1963, Dr. Obadiah N. Njagi is the current Director of Veterinary Services and first Chairman of Veterinary Medicines Council. He's also a board member of Kenya Animal genetics Resource Center (KAGRIC). He has in particular, been an active member for over 8 years at the Pest Control Products Board (PCPB).</p> <p>He has served in the Directorate of veterinary services for over 30 years since graduating with a bachelor's degree in Veterinary Medicine in 1988.</p> <p>He has contributed significantly to the development and delivery of Veterinary Services in Kenya and the EA community. He is most credited for his focused leadership in the development and national roll-out of ECF Vaccine and the regulatory framework for Veterinary Vaccines in EA region</p> <p>He holds a Master's Degree in Veterinary Pathology and a PhD in Veterinary Immunology.</p>
 <p>2. Dr. Josiah M. Mandieka, Veterinary Surgeon, BVM, MSC</p>	<p>Dr Mandieka was born on 17th September, 1959. He graduated with a Bachelor's Degree in Veterinary Medicine from the University of Nairobi. He also has a MSC from Canada. He worked in the public Service from 1987 to 1998 rising to the position of the District Veterinary Officer. Thereafter he joined the Veterinary Pharmaceutical Industry where he has served to date.</p> <p>He has previously served as a chairman of Kenya Veterinary Association, Kenya Veterinary Privatisation Scheme and Veterinarians with a Mission Programme</p> <p>He is the Current Managing Director of the Ultimate Vetserve LTD, a Veterinary Pharmaceutical Company.</p>

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 <p>4. Samson Moses Kiogora</p>	<p>Mr. Samson Kiogora graduated with a diploma in Animal Health from Egerton University in 1989. He has 25 years experience in sales of Animal Health Products and also human medicines.. He has been declared four times as a salesman of the year, hence receiving awards for the same.</p> <p>He served as a member of Egerton University Council from 2012 to 2014</p>
 <p>5. Dr. Indraph Mugambi Ragwa Veterinary Surgeon, BVM, MA (Project Planning and Management)</p>	<p>Dr. Indraph Mugambi Ragwa was born on 17th April, 1957. He qualified with a Bachelor of Veterinary Medicine in 1983 from the University of Nairobi. He did his Master of Arts (Project Planning and Management) from UON in 2012. He has 32 years experience in Veterinary Practice and is currently the Chief Executive Officer, Kenya Veterinary Board.</p>
 <p>6. Dr. Fred Siyoi</p>	<p>A pharmacist born on 31st March, 1963. He is currently the Ag. Chief Executive officer, Pharmacy and Poisons Board.</p>
 <p>7. Dr. Kenneth Mbogori</p>	<p>Dr. Kenneth Mbogori was born on 9th February, 1960. He is a visionary business leader and an entrepreneur. He's a qualified Veterinarian with extensive knowledge in Veterinary Pharmaceuticals</p> <p>He has over 20 years of sales, marketing and management experience. He's currently the MD of Metrovet Kenya Limited, a Veterinary Pharmaceutical business</p>
 <p>8. Prof. James M. Mbaria</p>	<p>An Associate Professor and the Chairman of Public Health Pharmacology and Toxicology, Faculty of Veterinary Medicine, University of Nairobi. He holds an earned PhD, MSc and BVM</p> <p>He has administrative experience including leadership at the university and professional association. He has 30 years of professional experience. During teaching and instruction, he has provided academic leadership teaching both undergraduate and postgraduate students, organising and guiding research programs.</p>

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9. Dr. Christopher Wanga, PhD

Dr Christopher Wanga is a Veterinary Surgeon With a Bachelor's Degree in Veterinary Medicine, MSC and a PhD.

He is the alternate to the Principal Secretary, State Department for Livestock






10. Dr. Jane N. Njiru BVM, MSC

Dr. Jane N. Njiru holds a Master of Science degree in Veterinary Epidemiology and Economics (MVEE) and a Bachelor of Veterinary Medicine degree from the University of Nairobi. She has served in the Directorate of Veterinary services for 25 years 10 of which were under deployment at the Pest Control Products Board (PCPB), which regulates all aspects of pest control products in Kenya. She has held various positions of leadership both at the directorate and other duty stations and participated in development of various regulatory documents for use at national level and within the EAC region.

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MANAGEMENT TEAM.

 <p>1. Dr. Obadiah N. Njagi, PhD</p>	<p>Chairs the Council meetings and gives overall leadership to the Directorate. He's a signatory to the two accounts of the entity.</p>
 <p>2. Dr. Jane N. Njiru BVM, MSC</p>	<p>Dr. Jane N. Njiru holds a Master of Science degree in Veterinary Epidemiology and Economics (MVEE) and a Bachelor of Veterinary Medicine degree from the University of Nairobi. She has served in the Directorate of Veterinary services for 25 years 10 of which were under deployment at the Pest Control Products Board (PCPB), which regulates all aspects of pest control products in Kenya. She has held various positions of leadership both at the directorate and other duty stations and participated in development of various regulatory documents for use at national level and within the EAC region.</p>
 <p>3. CPA. Henry Matoke Momata</p>	<p>Accountant for Veterinary Medicines Directorate (VMD) . An accountant, CPA (K) with a Bachelors Degree in Business Management.</p>

CHAIRMAN'S STATEMENT

The chairman offered leadership in general implementation of VMD mandate. He led the management in the implementation of the overall goals of VMD whereby some challenges were encountered among them; -

- ❖ Inadequate staff (support and technical)
- ❖ Inadequate infrastructure including office space
- ❖ Inadequate transport and ICT
- ❖ Inadequate enforcement of existing laws and regulations

Way Forward:

A. Immediate term.

- ❖ Procure one vehicle for the Directorate
- ❖ Procure additional computers and furniture.
- ❖ Develop VMD Strategic Plan
- ❖ Develop Human Resource Documents- scheme of service for staff and work on the structure of the directorate
- ❖ Gazette appointed veterinary medicines inspectors

B. Short term.

1. Prepare to building the capacity of staff on: -

- ✓ prosecution of those not meeting regulatory requirements,
- ✓ various standards e.g. Good Manufacturing Practice, GLS, Good Distribution Practice

i. Medium Term:-

1. Undertake benchmarking visits to world class veterinary medicines regulatory bodies to study and learn best practises,

ii. Long Term:-

- ❖ Secure adequate office space.
- ❖ Acquire a well trained and motivated staff with enough logistical support to adequately discharge the mandate of the directorate to the full satisfaction of all stakeholders.

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REPORT OF THE CHIEF EXECUTIVE OFFICER

The Veterinary Medicines Directorate (VMD) is a regulatory agency established under the Veterinary Surgeons and Veterinary Paraprofessionals Act of 2011 (CAP 366) through Legal Notice No. 209 of 9th October 2015. The agency operates under the Ministry of Agriculture, Livestock, Fisheries and Irrigation (MALF&I) in the State Department for Livestock (SDL).

VMD is mandated to regulate the manufacture, importation, exportation, registration, distribution, prescription and dispensing of Veterinary Medicines and the practice of Veterinary Pharmacy in Kenya. It is also expected to advise the Kenya Veterinary Board (KVB) in relation to all these aspects. VMD council members were gazetted on 26th October, 2016 while the official launch of the operations of the agency took place on the 24th of November, 2017 by the then Principal Secretary in the SDL. The operationalization of the VMD was to implement the National Livestock Policy (Sessional Paper No 2 of 20080), which provided for the separation in the management and regulation of Veterinary Medicines from that of humans as envisioned by the World Organization for Animal Health (OIE). The 2018/2019 FY was therefore the second year, in terms of financial reporting, for the operations of the Council.

During the reporting year, VMD achieved the following;

The agency received 128 new market authorization applications and evaluated 65 dossiers;

44 new products (Immunological & pharmaceuticals) products have been granted market authorization. Two products were granted under Mutual Recognition Procedure for East Africa Community with Kenya being chosen as the Reference Country.

Six Veterinary pesticides handed over from Pest Control Products Board were granted market authorization Thirty-four Veterinary Pharmaceutical Products and were inherited from the Pharmacy and Poison Board and granted market authorization Three local plants have been audited for GMP compliance and licensing is ongoing Five variations and notification have been applied and processed. Two hundred and eighteen (218) retentions for 2018 have been received and processed. Five hundred (500) retentions for 2019 have been received and processed.

In addition; Licensing of Wholesale dealers has been undertaken with a total of 48 entities receiving wholesale dealers' licenses for 2019; Two hundred and eight retail outlets have been issued with retail veterinary licenses; Five applications for advertisements of veterinary products have been evaluated; Fifteen applications for licensing of veterinary pharmaceutical representatives are currently being evaluated with a view to issuing them with permits; A draft communication strategy for the directorate has been developed and brochures developed to familiarize stakeholders with VMD and its mandate; Reports to OIE have been filed within time

All approvals for export/import of veterinary products are acted on within 48 hours.

CORPORATE GOVERNANCE STATEMENT

In the period under review, the VMD council held five seven meetings. Under the regulations establishing the agency (First schedule [1]) it states that ‘The Council shall meet at least four times in a year and not more than eight times a year, except in case of an emergency, for the transaction of its business, and such meetings shall be held at such places and times and on such days as the Council may determine’.

At the moment, VMD has developed a draft strategic plan (2019-2023) that expounds on the Vision, Mission and Charter of the agency.

The manner of appointment of Council members is well explained in Regulation eight of Legal Notice No 190 of 2015. The mandate of the council is as given in Regulation nine and include;

- a) Controlling, supervising and managing the assets and liabilities of the Directorate;
- b) Determining the provision to be made for capital and recurrent expenditure and for the reserves of the Directorate;
- c) Seeking and receiving any grants or donations and making legitimate disbursements from such grants and donations for its purposes;
- d) Levying fees and charges for its services as provided in the Regulations;
- e) Entering into association with other bodies within or outside Kenya which the Council may consider desirable or appropriate;
- f) Investing funds of the Directorate not immediately required in securities in which trustees are empowered to invest under the Trustee Act, and in other securities which may be approved for the purpose, by the Cabinet Secretary for the time being responsible for Finance;
- g) Establishing and supporting investment and trust funds for the benefit of employees or ex-employees of the Directorate or dependants of such persons, granting pension, benefits and allowances and making such payments towards insurance as required under the relevant laws;
- h) Opening and operating such accounts as are necessary for the funds of the Directorate, with a bank or financial institution.

MANAGEMENT DISCUSSION AND ANALYSIS

VMD is still building capacity to fully undertake its mandate. Draft Human Resource Instruments have been developed by consultants from the Directorate of Public Service Management (DPSM). The documents are about to be validated by the Council before being submitted to the Principal Secretary (PS), State Department for Livestock (SDL) for onward transmission to State Corporations Advisory Committee (SCAC). At the same time, the Council, through the PS, SDL has applied to SCAC for functional categorisation of the agency.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

VMD was engaged with final year students from the Faculty of Veterinary Medicines where mentorship programmed were muted and discussed. A fairway evening party for the final year students was held where the CEO gave a talk encouraging and motivating the students. Staff from the agency also held an open day with students at Animal Health and Industry Training Institute (AHITI), Kabete.

The Council also purchase fruit seedlings for planting as a contribution to its Corporate Social Responsibility.

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STATEMENT OF THE COUNCIL MEMBERS' RESPONSIBILITIES

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


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

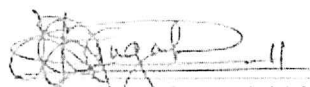
The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of Veterinary medicines Directorate transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

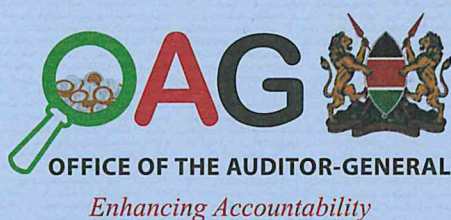
The *Veterinary Medicines Directorate* financial statements were approved by the Council and signed on its behalf by:


Dr. Jane N. Njiru
Ag. C.E.O


Dr. Obadiah N. Njagi, PhD
Council Chair

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON VETERINARY MEDICINES DIRECTORATE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Veterinary Medicines Directorate set out on pages 1 to 23, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Veterinary Medicines Directorate as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Veterinary Surgeons and Veterinary Para-professionals Act (The Veterinary Medicines Directorate) Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Differences Between the Figures in the Financial Statements and the Trial Balance

The financial statements reflects current liabilities of Kshs.469,901. This balance however differ with the figure reflected in the trial balance of Kshs.473,901. No reconciliations or explanations were provided for the resulting variance of Kshs.4,000

Consequently, the accuracy and completeness of the current liabilities balance could not be confirmed.

2. Differences Between the Figures in the Financial Statements and Supporting Schedules

The schedules provided to support the employee costs of Kshs.5,647,108 and use of goods and services of Kshs.2,092,664 differ with the related account figures of

Kshs.5,617,108 and Kshs.2,562,565 reflected in the financial statements by Kshs.30,000 and Kshs.469,901, respectively.

In the circumstances, the accuracy and completeness of employee costs and use of goods and services expenditure could not be confirmed.

3. Differences Between the Figures in the Statement of Financial Performance Comparative Figures and Notes to the Financial Statements

The statement of financial performance comparative figures under rendering services of Kshs.58,626,476, employee costs of Kshs.11,668,135 and council remuneration of Nil balance differs with corresponding figures in Notes 7, 8 and 9 to the financial statements of Kshs.58,227,457, Kshs.9,135,932 and Kshs.2,532,203 respectively. No reconciliation or explanation was provided for these variances.

In the circumstances, the accuracy and completeness of the statement of financial performance comparative figures could not be confirmed.

4. Differences Between the Figures in the Statement of Financial Position and Notes to the Financial Statements

The statement of financial position reflects cash and cash equivalents of Kshs.208,903,459 and current liabilities of Kshs.469,901, while corresponding Notes 14 and 13 to the financial statements reflects balances of Kshs.209,373,360 and Kshs.473,901, respectively. The resulting differences of Kshs.469,901 and Kshs.4,000, respectively were not reconciled or explained.

Consequently, the accuracy and completeness of the cash and cash equivalent and current liabilities in the statement of financial position could not be confirmed.

5. Difference Between the Figures in the Statement of Financial Position and the Statement of Changes in Net Assets

The statement of financial position reflects total net assets and liabilities of Kshs.218,541,205. However, this balance differs with an amount of Kshs.219,015,088 reflected in the statement of changes in net assets by Kshs.473,883. The resulting difference was not reconciled or explained

In the circumstances, the accuracy and completeness of the statements of financial position and changes in net assets respectively, could not be confirmed.

6. Discrepancies in the Employees' Costs

The statement of cash flows reflects an amount of Kshs.5,617,108 under employees' costs and as disclosed in Note 8 to the financial statements. However, the comparative figure of Kshs.11,672,117 differs with same Note figure of Kshs.9,135,932 and the statement of financial performance figure of Kshs.11,668,135. These discrepancies were not reconciled or explained.

In the circumstances, the accuracy and completeness of employee costs of Kshs.5,617,108 could not be confirmed.

7. Wrong Treatment of Cash Flows from Financing Activities

The statement of cash flows reflects an amount of Kshs.469,901 under cash flows from financing activities. However, the amount was treated as a deduction instead of an addition. No explanation was provided for this anomaly.

Consequently, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2020 could not be confirmed.

8. Undisclosed Revenue

The bank reconciliation statement in support of the cash and cash equivalent balance of Kshs.208,903,459 as at 30 June, 2020 reflects cumulative receipts into the Directorate's bank accounts of Kshs.3,910,432 and Kshs.6,531,114 relating to the Kenya shillings and dollar accounts respectively, for the period between 4 February, 2020 to 30 June, 2020. However, these receipts relate to fees and charges due to the Directorate and collected through Kentrade but were not recorded as part of revenue for the year ended 30 June, 2020. No reason was given for failure by the Directorate to record and disclose the amounts all totalling to Kshs.10,111,546.as part of the Directorate's revenues for the year then ended.

Consequently, the accuracy and completeness of the total revenue of Kshs.105,214,981 could not be confirmed.

9. Unsupported Foreign Exchange Gains

The statement of financial performance and as disclosed in Note 23 to the financial statements reflects an amount of Kshs.2,074,700 under foreign exchange gains. However, no workings were provided to show how the amount was arrived at.

Consequently, the validity, completeness and accuracy of the foreign exchange gain of Kshs.2,074,700 could not be ascertained.

10. Omitted Contribution in Kind by Seconded Employees

The statement of financial performance reflects employee costs of Kshs.5,617,108 and as disclosed in Note 8. Some of the employees of the Directorate are seconded from the parent ministry, and all their salaries and allowances are paid by the Ministry. However, their contribution in kind during the year under review was not quantified and disclosed in the financial statements. No explanation was provided for omission in this respect.

In the circumstances, the accuracy and completeness of employee costs of Kshs.5,617,108 could not be confirmed.

11. Uncaptured Prepaid Training Costs

The statement of financial performance for the year ended 30 June, 2020 reflects under use of goods and services expenditure totalling Kshs.2,562,565, which as disclosed in Note 12 to the financial statements includes an amount of Kshs.175,000 relating to training costs.

Available information indicate that the amount was paid to Kenya School of Government during the year under review but had not been utilized for training as at 30 June, 2020. However, the un-utilized amount was not apportioned and captured as a prepayment.

Consequently, the accuracy and completeness of the use of goods and services expenditure of Kshs.2,562,565 as at 30 June, 2020 could not be confirmed.

12. Anomalies in the Bank Reconciliation Statements

A review of the bank reconciliation statements in support of the cash and cash equivalent balance of Kshs.209,373,360 and as disclosed in Note 14 revealed stale cheques amounting to Kshs.236,650, that had been outstanding for more than a year. No reason was given for failure to reverse the stale cheques in the cash books.

In addition, the reconciliation statement reflects total payments amounting to Kshs.66,620 in bank statements but not yet recorded in the cashbook. Further, the bank reconciliation statements reflect total receipts of Kshs.13,636,754 appearing in the bank statements but not yet recorded in the cashbooks.

Under the circumstances, the accuracy and completeness of the cash and cash equivalents balance could not be confirmed.

13. Lack of an Updated Fixed Assets Register

The statement of financial position and as disclosed in Note 17 to the financial statements reflects a balance of Kshs.9,029,746 under property plant and equipment as at 30 June, 2020. However, the Directorate in the year under review, did not maintain a fixed asset register clearly showing important details of various property, plant and equipment such as nature of the asset, acquisition date, cost, depreciation rate, amount, disposals, serial numbers, location and condition. Further, detailed analysis and ledger supporting the depreciation charge of Kshs.2,817,582 as disclosed under Note 17 to the financial statements were not provided for audit review.

Consequently, the completeness and accuracy of the property, plant and equipment balance of Kshs.9,029,746 could not be confirmed.

14. Understatement of Current Liabilities

The statement of financial position reflects current liabilities of Kshs.469,901. However, this balance does not include an amount of Kshs.790,426 payable to a former Chief Executive Officer as top up salary and house allowance, and which arose from a Court Award in respect of Case No.457 of 2016 delivered in the High Court at Nairobi

Constitutional and Human Rights Division on 29 September, 2017 Further, no action appears to have been taken to either appeal the decision of the High Court or settle the award which is likely to attract interest.

Consequently, the accuracy and completeness of the current liabilities of Kshs.469,901 could not be confirmed.

15. Undisclosed Pending Litigations

Review of litigation records revealed that the Directorate is involved in several cases. However, no details were provided disclosing the nature, cause or progress of the cases in the financial statements. Therefore, any potential impact that these cases may have on the Directorate could not be ascertained. In addition, no disclosure or provisions have been made in these financial statements in this respect.

In the circumstances, the completeness and disclosure of the pending litigations in the financial statements could not be confirmed,

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Veterinary Medicines Directorate 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 adverse opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

A review of the statement of comparison of budget and actual amounts for the year ended 30 June, 2020 revealed final total budget of Kshs.51,300,000 against actual of Kshs.107,289,681 resulting to overfunding of Kshs.55,989,681. Similarly, the Directorate spent Kshs.11,777,335 against approved budget of Kshs.51,300,000 resulting to under expenditure of Kshs.39,522,665 or 77% of the budget. This is an indication that the Directorate did not execute most of its intended activities for the year under review, which in turn implies that the stake holders were denied the much-needed services.

Further, the detailed budget items provided for audit verification did not match the actual expense lines and thus it was not possible to perform analytical review on item basis. In addition, the material variances were not explained by way of Notes under

the statement of comparative budget and actual amounts as required under the reporting guidelines issued by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Wasteful and Nugatory Expenditure

The Directorate moved to new premises at Pest Control Products Board (PCPB) building in Loresho in January, 2018 at quarterly rent agreement inclusive of service charge amounting to Kshs.2,452,113 for a 2-year period.

However, no Board resolution approving the relocation from Directorate of Veterinary Services premises where the Directorate was paying no rent to the new premises was provided for audit review. Further, no reason was given by Management to move the Directorate to the new premises.

Consequently, it was not possible to confirm the regularity and value for money for the expenditure incurred of Kshs.2,452,113 for the two years rent.,

2. Long Outstanding Imprest

The statement of financial position reflects staff advances of Kshs.608,000 as disclosed in Note 16 to the financial statements.. A review of the Directorate's records revealed that the balance comprised of two imprest amounts of Kshs.482,800 and Kshs.125,200, issued on 20 November, 2019 and 25 February, 2020, respectively. The total amount had been issued to one member of staff. No reason was provided for issuing multiple imprest to the member of staff or for failure to have the imprest surrendered.

2.1. Irregular Issuance of Group Imprest and to Casuals

Further, a review of imprest records revealed that the Directorate issued group imprest. An analysis of sampled records revealed that a total of Kshs.2,795,300 was issued as group imprest while other imprest amounting to Kshs.119,040 were issued to casuals.

The issuance of group imprest means that individuals could be issued with multiple imprests before surrendering earlier imprests.

This is contrary to Section 92(4)(b) and (5) of the Public Finance Management Regulations, 2015 which states that 'before issuing temporary imprest the Accounting Officer shall ensure that— the applicant has no outstanding imprest and that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station'

The Management is therefore in breach of the Act.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Strategic Plan and Key Policy Manuals

The Directorate did not have in place a strategic plan and finance, accounting, ICT and human resources policy manuals to guide operations during the year under review.

To the extent, the operations of the strategic plans and the effectiveness of key policy manuals could not be confirmed.

2. Lack of Enterprise Wide Risk Management (ERM)

The Directorate did not have a well-documented Enterprise Wide Risk Management Policy in place to guide effectively the enterprises risk management processes at large.

In the circumstances, the effectiveness of risk management policy and risk management processes could not be confirmed.

3. Lack of Internal Audit Function and Audit Committee

The Directorate did not have an internal audit function and audit committee in place to review and appraise its existing internal controls, with a view to enhancing the Directorate's operational efficiency, governance and compliance. As a result, there

were no internal audit charter and internal audit manual, and internal audit report for the year under review.

Consequently, the effectiveness of internal controls and risk management could not be confirmed.

4. Lack of Accounting System and Controls

The Directorate did not operate a petty cash reimbursement system. Cash survey was not done at the end of the year and thus, no board of survey report was provided for audit verification.

Further, the ledger accounts were maintained on an excel software hence, susceptible to errors and manipulations. The accounting, inventory control and human resource processes are mainly manual and this may also lead to errors and manipulation in the records.

In the circumstances, the efficiency of the accounting controls and processes of the Directorate could not be confirmed

5. Other Administrative and Governance Issues

5.1 The current Chief Executive Officer (CEO) of the Directorate has been holding the position on an acting capacity basis. No reasons were given for the delay in appointing a substantive CEO. The Directorate has had three acting Chief Executive Officers (CEO's) since its inception in 2018. The first two had been appointed by the Principal Secretary for State Department for Livestock while the current CEO was appointed by the Cabinet Secretary Ministry of Agriculture, Livestock, Fisheries and Cooperatives. It is not clear who between the two had Authority to appoint an CEO.

5.2 The Directorate's approved organizational structure and staff establishment was not provided for audit review.

5.3 The Directorate does not have staff of its own despite having an approved staff cost budget of Kshs.9.8 Million and relies mainly on the Council Members and other staff on secondment from the parent ministry for operations.

5.4 There are only three permanent staff who are on secondment from the State Department for Livestock and who report to the Directorate of Veterinary Services Director, who also doubles up as the Directorate's Chair.

Consequently, the lack of a substantive Chief Executive Officer and approved staff establishment may impair staff independence and impartiality in executing their functions.

6. Lack of Appointment letters for Bank Signatories

A review of approvals for signatories of the Directorates bank accounts revealed that although the Directorate provided bank forms filled by the identified signatories for the two bank accounts held with the National Bank of Kenya, there was no record to show how the current bank signatories were appointed. Further, the Council Members are

signatories to the bank accounts and perform more of the managerial duties than their expected oversight and corporate governance roles

In the circumstances, the approval of bank signatories and validity of banking transactions performed during the year could not be confirmed.

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 processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Council Members

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

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

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

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

The Council Members is responsible for overseeing the Directorate's financial reporting process, reviewing the effectiveness of how the 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 and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Directorate'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 Directorate 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 Directorate to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 February, 2022

Veterinary Medicines Directorate
Annual Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

		2019-2020	2018-2019
	Note		
		KES	KES
Revenue from non-exchange transactions			
Transfers from Ministries	6	36,300,000	36,260,000
		36,300,000	36,260,000
Revenue from exchange transactions			
Rendering of services	7	68,914,981	58,626,476
		68,914,981	58,626,476
Total revenue		105,214,981	94,886,476
Expenses			
Employee costs	8	5,617,108	11,668,135
Council Remuneration	9	545,556	-
Depreciation and amortization expense	10/17	2,817,582	3,697,382
Repairs and maintenance	11	234,524	121,650
Use of Goods and Services	12	2,562,565	4,764,518
Total expenses		11,777,335	20,251,685
Foreign exchange gains/(losses)	23	2,074,700	74,864
Surplus before Tax		95,512,346	74,709,655
Surplus for the period		95,512,346	74,709,655

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		2019-2020	2018-2019
	Note	30-Jun	30-Jun
Assets		KES	KES
Current assets			
Cash and cash equivalents	14/15	208,903,459	111,655,414
Receivables from exchange transactions	16	608,000	-
Total Current Assets		209,511,459	111,655,414
Non-current assets			
Property ,plant and equipment	17	9,029,746	11,847,328
Total Non-Current assets		9,029,746	11,847,328
Total Assets		218,541,205	123,502,742
Liabilities		-	-
Current liabilities	13	469,901	-
Non-current liabilities		-	-
Total liabilities		469,901	-
Reserves		123,502,742	48,793,087
Accumulated Surplus		95,512,346	74,709,655
Total Net Assets and Liabilities		218,541,205	123,502,742

The Financial Statements set out were signed on behalf of the Council of Members by:

Sign.....
P.M Wachira
ICPAK No. 14007
Date..... 22/02/2021

Sign.....
Dr. Jane N. Njiru
Ag.Chief Executive Officer
Date..... 22/02/2021

Sign.....
Dr. Obadiah N. Njagi, PhD
Council Chair
Date..... 22/02/2021

Veterinary Medicines Directorate
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STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2018	-	-	-	-	-
Revaluation gain	-	-	-	-	-
Transfer of excess depreciation on revaluation	(-)	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	-	-
Retained earnings	-	-	123,502,742	(-)	123,502,742
At June 30, 2019	-	-	123,502,742	-	123,502,742
At July 1, 2019	-	-	123,502,742	-	123,502,742
Issue of new share capital	-	-	-	-	-
Revaluation gain	-	-	-	-	-
Transfer of excess depreciation on revaluation	(-)	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	-	-
Retained earnings	-	-	95,512,346	(-)	95,512,346
At June 30, 2020	-	-	219,015,088	-	219,015,088

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		2019-2020	2018-2019
	Note	KES	KES
Cash flows from operating activities			
<u>Receipts</u>			
Government grants and subsidies	6	36,300,000	36,260,000
Rendering of services	7	68,914,981	58,626,476
Gain on foreign exchange transactions		2,074,700	74,864
Total Receipts		107,289,681	94,961,340
<u>Payments</u>			
Employees Costs	8	5,617,108	11,672,117
Council Remuneration	9	545,556	-
Repairs and Maintenance	11	234,524	121,650
Use of Goods and Services	12	2,562,565	4,764,518
Advances- Imprests	16	608,000	0
Total Payments		9,567,753	16,558,285
Net cash flows from operating activities		97,721,928	78,403,055
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	17	0	3,903,950
Decrease in non-current receivables		0	0
Net cash flows used in investing activities		0	3,903,950
Cash flows from financing activities			
Increase in Accrued rent	13	469,901	0
Net cash flows used in financing activities		469,901	0
Net increase/(decrease) in cash and cash equivalents		97,252,027	74,499,105
Cash and cash equivalents at the beginning of the year.		111,651,432	37,152,327
Cash and Cash equivalent at end of the year.	14/15	208,903,459	111,651,432

Veterinary Medicines Directorate
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2020

	Original Budget	Adjustments	Final Budget	Actual	Performance Difference
	KES	KES	KES	KES	
Revenue					
Veterinary Medicines Dossier / Products Registration Fees.	1,793,840	-	1,793,840	6,175,147	4,381,307
Veterinary Medicines Good Manufacturing Practice Fees (foreign site)	883,416	-	883,416	9,327,702	8,444,286
Veterinary Medicines Good Manufacturing Practice Fees (local site)	87,336	-	87,336	506,522	419,186
Veterinary Medicines Wholesale Dealers Premises Licence Fees	430,204	-	430,204	3,151,000	2,720,796
Veterinary Medicines Wholesale Premises Inspection Fees	45,852	-	45,852	1,171,957	1,126,105
Veterinary Medicines Retail Pharmacy Licence Fees	4,332,000	-	4,332,000	3,944,000	-388,000
Veterinary Medicines Retail Pharmacy Inspection Fees	72,052	-	72,052	615,000	542,948
Veterinary Medicines Import Verification Fees	2,825,560	-	2,825,560	21,244,891	18,419,331
Veterinary Medicines Import Permit Fees	65,164	-	65,164	914,314	849,150
Veterinary Medicines Products Retention Fees	4,340,052	-	4,340,052	21,354,448	17,014,396
Products Appeal	6,620	-	6,620	0	-6,620
Manufacturing License	52,400	-	52,400	360,000	307,600
Products Advertisement	65,504	-	65,504	150,000	84,496
Grant	36,300,000	-	36,300,000	36,300,000	0
Other Income	0	-	0	2,074,700	2,074,700
Total income	51,300,000	-	51,300,000	107,289,681	107,289,681
Expenses					
Basic Salary	3,400,000	-	3,400,000	0	-3,400,000
Basic wages- Temporary employees	800,000	-	800,000	663,748	-136,252
House Allowances	1,400,000	-	1,400,000	0	-1,400,000
Commuter/Transport Allowances	600,000	-	600,000	0	-600,000
Acting/Other Remunerative Allowances	3,400,000	-	3,400,000	0	-3,400,000
Other Remunerative benefits, specify: Leave, Medical, Holiday, End of year Staff Gifts ,etc	200,000	-	200,000	0	-200,000
Boards, Committees -sitting allowances, transport	3,000,000	-	3,000,000	2,977,437	-22,563
Conferences and Seminars- DSAs, transport etc	2,400,000	-	2,400,000	545,556	-1,854,444

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Hospitality -Catering Services (receptions), Accommodation, Gifts, Food and Drinks	900,000	-	900,000	304,490	-595,510
Outsourced Legal Services	300,000	-	300,000	0	-300,000
Consultancies, Specify each Consultancy ---capacity building	500,000	-	500,000	0	-500,000
Other Outsourced Services-laboratory analysis of samples, disposal of lab samples and counterfeit medicines etc	1,000,000	-	1,000,000	65,000	-935,000
Medical Insurances	600,000	-	600,000	0	-600,000
Motor vehicles insurances	8,000,000	-	8,000,000	353,584	-7,646,416
Foreign Travel and Subsistence, and other transportation costs- inspections, good manufacturing audits	9,700,000	-	9,700,000	1,966,404	-7,733,596
Domestic Travel and Subsistence, and Other Transportation Costs- inspections, licensing, surveillance, good manufacturing audits etc	200,000	-	200,000	9,520	-190,480
Motor Vehicle Operations	1,500,000	-	1,500,000	0	-1,500,000
Office and general supplies and services	2,800,000	-	2,800,000	35,513	-2,764,487
Communication, Supplies and Services	400,000	-	400,000	238,550	-161,450
Bank Charges	0	-	0	30,620	30,620
Utilities Supplies and Services	1,600,000	-	1,600,000	0	-1,600,000
Printing, Advertising and Information Supplies and Services	1,800,000	-	1,800,000	0	-1,800,000
Office rents and rates	1,600,000	-	1,600,000	1,353,407	-246,593
Specialised Materials and Supplies	800,000	-	800,000	0	-800,000
Fuel Oil and Lubricants	1,000,000	-	1,000,000	6,400	-993,600
Training Expenses	2,000,000	-	2,000,000	175,000	-1,825,000
Corporate Social Responsibility	500,000	-	500,000	0	-500,000
Buildings Repair	0	-	0	0	0
Motor Vehicles/Cycles Repair	500,000	-	500,000	234,524	-265,476
Computers and Other Office Equipment Repair	400,000	-	400,000	0	-400,000
I T. Equipment	0	-	0	2,817,582	2,817,582
Depreciation	-	-	-	0	0
Furniture and Equipment	0	-	0	0	0
Purchase of Motor Vehicle	0	-	0	0	0
Software Acquisition	0	-	0	0	0
Total expenditure	51,300,000		51,300,000	11,777,335	-39,522,665
Surplus for the period	0	-	0	95,512,346	67,767,016

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Veterinary Medicine Directorate is established by and derives its authority and accountability from Veterinary Surgeons and Veterinary Paraprofessionals, Act CAP 366, Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is as outlined in earlier pages.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. 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 judgment in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Veterinary Surgeons and Veterinary Paraprofessionals 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. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

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

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

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly. There were no any revisions or additional appropriations made to the approved budget.

The entity'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 in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) 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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

b) Nature and purpose of reserves

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

c) Changes in accounting policies and estimates

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

d) Foreign currency transactions

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

e) 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.

f) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the council members and the CEO. The parent ministry is also considered as a related party.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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 National Bank of Kenya 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

d) Comparative figures

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

e) 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, 2020.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

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**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)**

Provisions

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

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 GOVERNMENTS

a) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2019-2020 KShs
State Department of Livestock	36,300,000	-	-	36,300,000	36,300,000
Ministry	-	-	-	-	-
Total	36,300,000	-	-	36,300,000	36,300,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 RENDERING OF SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Veterinary Medicines Dossier / Products Registration Fees.	6,175,147	8,002,164
Veterinary Medicines Good Manufacturing Practice Fees (foreign site)	9,327,702	6,062,800
Veterinary Medicines Good Manufacturing Practice Fees (local site)	506,522	2,000,121
Veterinary Medicines Wholesale Dealers Premises Licence Fees	3,151,000	480,315
Veterinary Medicines Wholesale Premises Inspection Fees	1,171,957	1,240,000
Veterinary Medicines Retail Pharmacy Licence Fees	3,944,000	2,084,000
Veterinary Medicines Retail Pharmacy Inspection Fees	615,000	16,306,668
Veterinary Medicines Import Verification Fees	21,244,891	345,000
Veterinary Medicines Import Permit Fees	914,314	20,516,276
Veterinary Medicines Products Retention Fees	21,354,448	449,798
Products Appeal	0	360,000
Manufacturing License	360,000	350,000
Products Advertisement	150,000	30,315
Total revenue from the rendering of services	68,914,981	58,227,457

8 EMPLOYEE COSTS.

	2019-2020	2018-2019
	KShs	KShs
Salaries and wages	663,748	-
Employee related costs - contributions to pensions and medical aids	0	21,858
Travel, motor car, accommodation, subsistence and other allowances	2,986,956	8,602,557
Foreign Travel and Subsistence, and other transportation costs- inspections, good manufacturing audits	1,966,404	511,517
Performance and other bonuses		
Social contributions		
Expenditure recharged to capital projects		
Employee costs	5,617,108	9,135,932

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 COUNCIL RENUMERATION.

Description	2019-2020	2018-2019
	KShs	KShs
Chairman's Honoraria	-	-
Directors emoluments	-	-
Sitting allowances, Transport	545,556	2,532,203
Employee costs	545,556	2,532,203

10 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	2,817,582	3,697,382
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	2,817,582	3,697,382

11 REPAIR AND MAINTENANCE.

Description	2019-2020	2018-2019
	KShs	KShs
Property		-
Investment property – earning rentals		-
Equipment and machinery		-
Vehicles	234,524	121,650
Furniture and fittings		-
Computers and accessories		-
Other		-
Total repairs and maintenance	234,524	121,650

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 USE OF GOODS.

Description	2019-2020	2018-2019
	KShs	KShs
Conferences and delegations		1,359,697
Membership Fees, Dues and Subscriptions to Professional and Trade Bodies		131,100
Fuel and oil	6,400	15,000
Insurance	353,584	409,300
Legal expenses		12,000
Licenses and permits		
Office and general supplies and services	35,514	158,755
Communication, Supplies and Services	238,550	324,000
Printing and stationery		17,990
Rent Paid	914,126	1,098,706
Rent Accrued	439,281	
Security costs		
Hospitality -Catering Services (receptions), Accommodation, Gifts, Food and Drinks	304,490	460,930
Bank Charges	34,620	
Consultancies, Specify each Consultancy ---capacity building	65,000	202,040
Training	175,000	400,000
Corporate Social Responsibility		175,000
Bank Charges	30,620	
Total expenses	2,562,565	4,764,518

13 ACCRUED EXPENSES.

Description	2019-2020	2018-2019
	KShs	KShs
Accrued Rent	439,281	-
Bank Charges	30,620	
Total cash and cash equivalents	473,901	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Current account	209,373,360	111,181,531
On - call deposits		
Fixed deposits account		
Staff car loan/ mortgage		

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Others(specify)		
Total cash and cash equivalents	209,373,360	111,181,531

15 DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	KShs	KShs
a) Current account			
National Bank Of Kenya	01071203347300	134,052,624	72,872,791
National Bank Of Kenya	02071203347300	75,320,736	38,308,740
Sub- total		209,373,360	111,181,531
Grand total		209,373,360	111,181,531

16 ADVANCES.

Date	Payee	Warrant no.	Amount	Remarks
			Kshs.	
20-11-2020	Dr, Naphtal Mwanziki	3301830	482,800	
25-02-2020	Dr, Naphtal Mwanziki	3301832	125,200	
	Total		608,000	

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17 PROPERTY, PLANT AND EQUIPMENT

Cost	Land and Buildings	Motor vehicles (25%)	Furniture and fittings (12.5%)	Computers (30%)	Total
	Shs	Shs	Shs	Shs	Shs
At 1 July 2017	-	11,640,760	0	0	11,640,760
Additions	-	0	2,194,232	1,709,718	3,903,950
Disposals	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	(-)	-	-	-
At 30 th June 2018	-	11,640,760	2,194,232	1,709,718	15,544,710
Additions	-	0	0	0	0
Disposals	(-)	0	0	0	0
Transfer/adjustments	(-)	0	0	0	0
At 30 th June 2019	-	11,640,760	2,194,232	1,709,718	15,544,710
Depreciation and impairment					
At 1 July 2018	(-)	0	0	0	0
Depreciation	-	-2,910,188	-274,279	-512,915	-3,697,382
Impairment	(-)	0	0	0	0
At 30 June 2019	-	-2,910,188	-274,279	-512,915	-3,697,382
Depreciation	(-)	-2,182,643	-239,994	-394,945	-2,817,582
Disposals	-	-	-	-	-
Impairment	(-)	(-)	(-)	(-)	(-)
Transfer/adjustment	-	(-)	-	-	-
At 30 th June 2020	-	-5,092,831	-514,273	-907,860	-6,514,964
Net book values					
At 30 th June 2020	-	6,547,929	1,679,959	801,858	9,029,746
At 30 th June 2019	-	8,730,572	1,919,953	1,196,803	11,847,328

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

(ii) Liquidity risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

19 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the entity. It has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Ministry of Agriculture Livestock Fisheries and Irrigation.

20 EVENTS AFTER THE REPORTING PERIOD

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

21 ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation under the Ministry of Agriculture Livestock Fisheries and Irrigation. Its ultimate parent is the Government of Kenya.

22 Currency

The financial statements are presented and rounded off to the nearest Kenya Shillings (Kshs)

23. Gain on foreign exchange transactions

The gain was due to changes in exchange rates as at 30th June 2020 closing balance on 30th June 2020. USD dollars 379,106.78*5.4726(106.5226-101.050 = Kshs 2,074,700.

**Veterinary Medicines Directorate
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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
VMD/2018/19 - Audit draft Report	Difference between certificate of balance and bank statement as at 30 th June 2019	We are in a process of reconciliation between balance certificate and bank statement.	Ag. CEO- Dr Jane N. Njiru	Not yet Resolved	By 30 June 2021
VMD/2018/19 - Audit draft Report	Budget performance and controls	Most council members contracts ended during the second quarter of financial year which affected the operation.	Dr Obadiah N. Njagi Chair man of the council.	Resolved	-
VMD/2018/19 - Audit draft Report	Asset register Missing	It was newly created Directorate	Accountant	Not yet Resolved	Within 3 months
VMD/2018/19 - Audit draft Report	Non availability of key policy manuals and strategic plan	It was newly created Directorate	Ag. CEO- Dr Jane N. Njiru	Not yet Resolved	By 30 June 2021
VMD/2018/19 - Audit draft Report	Unreconciled revenue from rendering of services	Reconciliation has been done.	Accountant	Resolved	-
VMD/2018/19 - Audit draft Report	Lack of support documents for the reported figures in the Cash and Cash equivalent and PPE	The management is in the process of producing the same	Accountant	Not Resolved	By 30 June 2021
VMD/2018/19 - Audit draft Report	Lack of internal audit function	The management is in the process getting a functional audit function	Ag. CEO- Dr Jane N. Njiru	Not yet Resolved	By 30 June 2022
VMD/2018/19 - Audit draft Report	Lack of an elaborate ERM	The management is in the process getting a functional an ERM in place	Ag. CEO- Dr Jane N. Njiru	Not yet Resolved	By 30 June 2022
VMD/2018/19 - Audit draft	Inaccuracies in the financial statements	Inaccuracies were acted on	Accountant	Resolved	-

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Report					
VMD/2018/19 - Audit draft Report	Presentation disclosure anomalies	The presentation anomalies were dealt with.	Accountant	Resolved	-
VMD/2018/19 - Audit draft Report	Delay in appointment of the council CEO	The council is awaiting the appointment of the CEO	Ag. CEO- Dr Jane N. Njiru	Not yet Resolved	By 30 June 2022
VMD/2018/19 - Audit draft Report	Lack substantive Technical and compliance officers, finance or accountants, Human resource and procurement	The council is still young with expectation of acquiring its staffs soonest possible	Ag. CEO- Dr Jane N. Njiru	Not yet Resolved	By 30 June 2022
VMD/2018/19 - Audit draft Report	The council members being signatories and performs more of the managerial duties	This has been necessitated by lack of staffs.	Ag. CEO- Dr Jane N. Njiru	Not yet Resolved	By 30 June 2022
VMD/2018/19 - Audit draft Report	The Accounting, inventory control and Human resource, receipting among other business units' systems are heavily manual	The management is in the process of automating its systems.	Ag. CEO- Dr Jane N. Njiru	Not yet Resolved	By 30 June 2022
VMD/2018/19 - Audit draft Report	Lack of petty cash reimbursement system and no cash survey or board of survey report was ever done at the end of the year	The management is working on this	Ag. CEO- Dr Jane N. Njiru	Not yet Resolved	By 30 June 2021

Sign.....
Dr. Jane N. Njiru
Ag. C.E.O

Date.....