

REPUBLIC OF KENYA



*Enhancing Accountability*

|                       |  |
|-----------------------|--|
| THE NATIONAL ASSEMBLY |  |
| DATE: 15 NOV 2022     |  |
| DAY: Tuesday          |  |
| TABLED BY:            | Hon. Silvanus Osiyo, MP<br>Chief Whip Majority |
| CLERK-AT THE-TABLE:   | Halima Suliman                                 |

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA MEDICAL LABORATORY  
TECHNICIANS AND TECHNOLOGISTS  
BOARD**

**FOR THE YEAR ENDED  
30 JUNE, 2021**





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**KENYA MEDICAL LABORATORY TECHNICIANS AND  
TECHNOLOGISTS BOARD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE 2021**

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





**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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| Table of Contents  | Page      |
|--|-----------|
| 1. KEY ENTITY INFORMATION AND MANAGEMENT .....   | ii        |
| 2. BOARD OF DIRECTORS .....  | v         |
| 3. MANAGEMENT TEAM .....   | ix        |
| 4. CHAIRMAN'S STATEMENT .....  | xi        |
| 5. REPORT OF THE CHIEF EXECUTIVE OFFICER .....   | xii       |
| 7. CORPORATE GOVERNANCE STATEMENT .....  | xv        |
| 8. MANAGEMENT DISCUSSION AND ANALYSIS .....  | xvi       |
| 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....  | xvii      |
| 10. REPORT OF THE DIRECTORS .....  | xix       |
| 11. STATEMENT OF DIRECTORS' RESPONSIBILITIES .....   | xx        |
| 12. OFFICE OF THE AUDITOR GENERAL .....  | xxii      |
| 13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021 ..                      | 1         |
| 14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 .....                                   | 2         |
| 15. STATEMENT OF CHANGES IN NET ASSETS .....   | 3         |
| 16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021 .....                              | 4         |
| 17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021 ..... | 5         |
| 18. NOTES TO THE FINANCIAL STATEMENTS .....  | 6         |
| <b>APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....</b>                      | <b>39</b> |



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

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

The first Board was inaugurated in the year 2000.

**(b) Principal Activities**

The board functions are as enumerated below, and include:

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

Approve courses of institutions for laboratory technologists and technicians

**(c) Key Management**

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

- Board of Directors
- Accounting Officer - Registrar
- Management Team

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 20XX and who had direct fiduciary responsibility were:

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







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**(e) Entity Headquarters**

P.O. Box 20889 - 00202

KNH

ACK Garden House – 4<sup>th</sup> Floor

Nairobi, Kenya

**(f) Entity Contacts**

Telephone: (254) 020 273 1391

E-mail: [info@kmlttb.org](mailto:info@kmlttb.org)

Website: [www.kmlttb.org](http://www.kmlttb.org)

**(g) Entity Bankers**

1. Equity Bank

A/C No. 0170296759439 Community Branch

P.O. Box 8181 – GPO 00100

Nairobi, Kenya

2. National Bank of Kenya

A/C No. 010200581935000 Hospital Branch

P.O. Box 30763

Nairobi

3. National Bank of Kenya

A/C No. 012420581935000 Hospital Branch

P.O. Box 30763

Nairobi

4. Co-operative Bank of Kenya

A/C No. 02120128867800 Upper hill Branch

P.O. Box 19555 - 00202

Nairobi





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**

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






**Kenya Medical Laboratory Technicians and Technologists Board  
Annual Reports and Financial Statements  
For the year ended June 30, 2021**

**2. BOARD OF DIRECTORS**




**BOARD MEMBERS**

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

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





**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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







**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

|    |   |  |
|----|---|--|
| 7. |   | <p>Masters in Medical Laboratory Science – Infectious Diseases<br/>Medical Laboratory Technologist</p> |
| 8. |  <p>Ali Hassan Noor - Member</p> | <p>Diploma in Medical Laboratory Science<br/>Medical Laboratory Technologist</p>                       |
| 9. |  <p>Susan W. Murage - Member</p> | <p>Law Degree – University of Nairobi<br/>Diploma in Law – Kenya School of Law<br/>State Counsel</p>   |



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

|     |  |  |
|-----|--|--|
| 10. | <p align="center">Dr. Izaq Odongo - Member</p>   | <p>Masters in Medicine – Internal Medicine (MMED)<br/>Medical Laboratory Technologist</p>  |
| 11. |  <p align="center">John O. Nyamuni - Member</p> | <p>PhDc - Medical Laboratory Science<br/>Masters in Medical Laboratory Science –<br/>Parasitology<br/>Medical Laboratory Technologist</p>  |
| 12. |  <p align="center">Dr. Meshack Opwora</p>       | <p>Bachelor of Education – Building Construction<br/>Technology – UoN<br/>Master of Education – Education Planning and<br/>Administration – UoN<br/>MBA – KU<br/>PhD in TVET – University of Newcastle Australia</p> |





**Kenya Medical Laboratory Technicians and Technologists Board  
Annual Reports and Financial Statements  
For the year ended June 30, 2021**

**3. MANAGEMENT TEAM**

Management Team



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

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

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



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



KENYA MEDICAL LABORATORY  
TECHNICIANS & TECHNOLOGIST BOARD  
Make Terms a Safe Matter

**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

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

On behalf of the Board of Directors, I am delighted to present the Annual Report and Financial Statements of the Medical Laboratory Technicians & Technologists Board (KMLTTB) for the financial year 2020/2021. The current Board was appointed under a reform platform in August 2015 with a mandate of implementing the Task Force report that was submitted to the Minister of Medical services after dissolution of the previous Board for non-performance.

Despite numerous operational challenges including protracted Court battles against illegal medical laboratories and quacks, KMLTTB through the enormous goodwill and support of leadership at the Ministry of Health managed to achieve average performance targets for the year ended 30<sup>th</sup> June 2021. As part of routine responsibilities for prudent Corporate Governance the Kenya Medical Laboratory Technicians and Technologists Board (KMLTTB) prepared and submitted timely financial audit reports to the Office of the Auditor General in the year under review. KMLTTB also strengthened its core mandate of regulating invitro diagnostics by publishing the regulations in the Kenya Gazette.

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

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





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



## Kenya Medical Laboratory Technicians and Technologists Board Annual Reports and Financial Statements For the year ended June 30, 2021

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### 5. REPORT OF THE CHIEF EXECUTIVE OFFICER

#### Establishment of KMLTTB

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

#### Organization structure of KMLTTB

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

#### Functions of KMLTTB

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

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

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





**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**Inspections.**

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

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

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

**Examinations.**

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

**Challenges**

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

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

**Patrick M. Kisabei**  
**Executive Officer-KMLTTB**





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**6. STATEMENT OF KMLTTB'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021**

KMLTTB holds vital key in the implementation of the 'Big Four' Initiatives and other national priorities in order to improve the quality of lives of Kenyans and make Kenya globally competitive. To establish a basis of effective and efficient services delivery to Kenyans and ensuring that the board adapts systems that ensure innovativeness and adaptability of current trends.

The board had a number of strategic objectives among them

- i). 50% increase in the number of registered training institutions, Medical laboratories and personnel.
- ii). Establish validation and minimum standards for quality of reagents and equipment/testing devices used in Kenya's medical laboratories.
- iii). Increase by 100% the participation of KMLTTB and implementation of national health policies and laws
- iv) increase operational research and
- v) Invest in and acquire own Premises.

The board played a key role on COVID 19 infection prevention and control. Special attention towards inspection and Validation of both laboratory reagents and equipment's used in testing. The Board has managed to register over 14,000 personnel and over 2, 000 laboratories across the county.







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



## Kenya Medical Laboratory Technicians and Technologists Board Annual Reports and Financial Statements For the year ended June 30, 2021

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### 7. CORPORATE GOVERNANCE STATEMENT

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

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

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

Together with these and through support from partners and stakeholders, the Board also developed and launched a Continuous Professional Development program as part of career development plan to be linked to annual renewal licenses for medical laboratory personnel in Kenya. As a Health Regulatory State Agency, KMLTTB endeavours to efficiently establish and implement high-end regulatory standards for laboratory infrastructure with embedded focus on safety for both practitioners and patients. In the period under review, we rolled out the first graded National Infrastructural Design for medical laboratory facilities. In the 2020/2021 year, KMLTTB continued to be a secure source of 'value-for-money' regulatory authority by enlisting more vendors/suppliers of diagnostic reagents and equipment. Through stakeholder workshops, elaborate validation procedures and protocols for were established and implemented thereby contributing positively to the Ministry's goal of providing the highest attainable quality healthcare to the citizens especially for diagnostics.

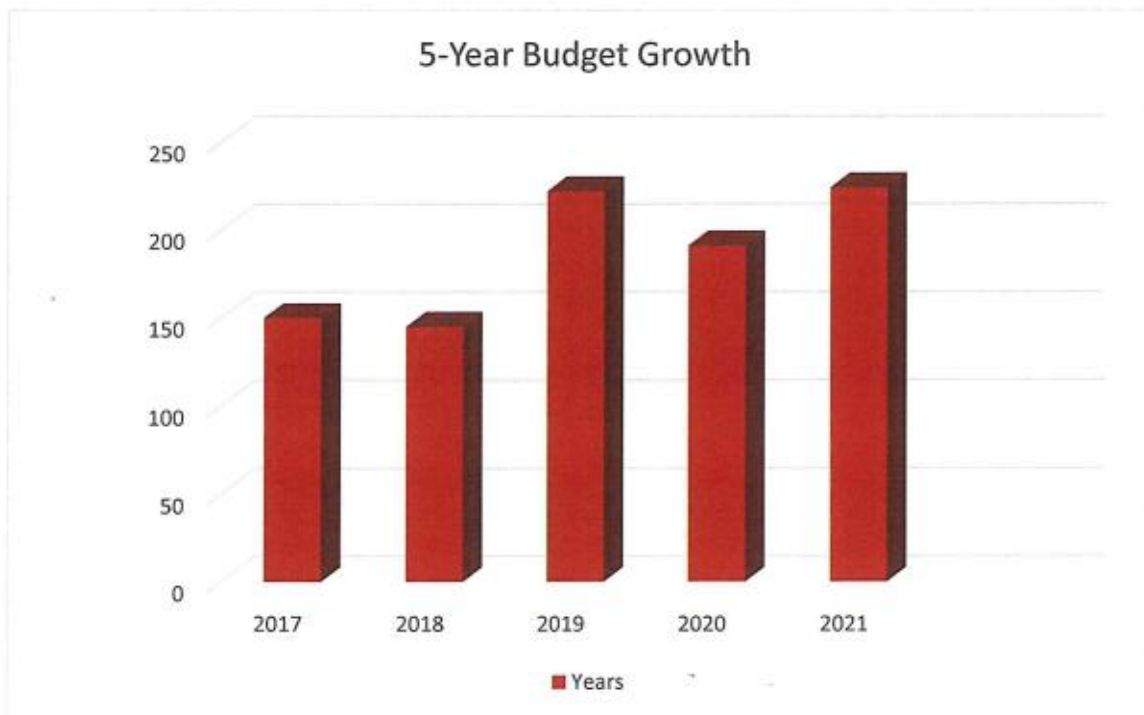


**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

**8. MANAGEMENT DISCUSSION AND ANALYSIS**

Below is a Consolidated summary of Income and Expenditure

| YEAR               | 2021              | 2020              | 2019              | 2018              | 2017              |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                    | Million           | Million           | Million           | Million           | Million           |
| <b>INCOME</b>      | <b>224</b>        | <b>191</b>        | <b>222</b>        | <b>145</b>        | <b>150</b>        |
| <b>EXPENDITURE</b> | <b><u>217</u></b> | <b><u>185</u></b> | <b><u>213</u></b> | <b><u>141</u></b> | <b><u>145</u></b> |
| <b>SURPLUS</b>     | <b>6</b>          | <b>6</b>          | <b>9</b>          | <b>6</b>          | <b>5</b>          |







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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## **9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

KMLTTB exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the students, suppliers and stakeholders first when delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Sustainability strategy and profile**

The KMLTTB management remains cognizant of the fact that sustained economic growth cannot be achieved without social progress and the well-being of local communities.

### **ii) Environmental performance**

The Board has embedded a culture of environmental conservation activities aimed at protecting the environment, conserving natural resources and where possible, to repair damage and reverse negative trends.

### **iii) Employee welfare**

The Board has policies in place to ensure hiring process adheres to affirmative action on gender, ethnicity and regional distribution. Boards has Rewards and Recognition in addition to a training done to improve competence of staff in 2019. In ensuring that employees are safe, the Board has availed a policy detailing issues of safety as well as provisions for compliance with Occupational Safety and Health Act of 2007.

### **iv) Market place practices-**

The board has policies and practises in place to ensure good market place practises are adhered to as outline below:

#### **a) Responsible competition practice.**

The Board's marketing guidelines as well as a communication policy which provides mechanisms for retention and growth of its market share and provides a clear marketing strategy aimed at maintaining responsible involvement in creating brand awareness.

#### **b) Responsible Supply chain and supplier relations**

The Board maintains a good working relationship with its suppliers cognizant of compliance with the Finance and Procurement Manuals in meeting contractual obligations.





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**c) Responsible marketing and advertisement**

The board has in place marketing guidelines in place which provide mechanisms for creating brand awareness and reaching out to the public and stakeholders.

**d) Product stewardship**

Additionally, the Board is sensitive to the needs of its students and other stakeholders by ensuring their needs are well taken care of through stakeholder engagements







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Board's affairs.

**i) Principal activities**

The Board is primarily engaged in management of Kenya Medical Laboratory Technicians and Technologists Board together with other mandates specified in KMLTTB Act.

**ii) Results**

The results of the entity for the year ended June 30, 2021, are set out on page 1 - 33

**iii) Directors**

The members of the Board of Directors are shown on page VI- IX. The terms of the board members have expired and the same has been communicated to the Ministry of Health for appointment of board members as required by law

**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. KMLTTB did not make any Surplus during the year and hence no remittance to the Consolidated Fund.

**v) Auditors**

The Auditor General is responsible for statutory audit of Colleges accounts in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act require the Directors to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year 2020/2021 and the operating results of the Board for the year 2020/2021. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2021. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud
- (iv) Safeguarding the assets of the Board
- (v) Selecting and applying appropriate accounting policies and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board'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 Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2021, and of the Board's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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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 Board's financial statements were approved by the Board on 30<sup>th</sup> August 2021 and signed on its behalf by:

Registrar of the Board:

Name: Abdulatif Ali.

Sign: .....

Date: 7/3/2022

Chairman of the Board:

Name: Abel. O. Onyango

Sign: .....

Date: 7/3/2022



# REPUBLIC OF KENYA

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mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON KENYA MEDICAL LABORATORY TECHNICIANS AND TECHNOLOGISTS BOARD FOR THE YEAR ENDED 30 JUNE, 2021

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### 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, gazetted 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 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 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 Kenya Medical Laboratory Technicians and Technologists Board set out on pages 1 to 40, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial

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*Report of the Auditor-General on Kenya Medical Laboratory Technicians and Technologists Board for the year ended 30 June, 2021*

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Medical Laboratory Technicians and Technologists Board as at 30 June, 2021, 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 Medical Laboratory Technicians and Technologists Act, 1999 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unsupported Remuneration of Directors**

The statement of financial position reflects remuneration of directors amount of Kshs.1,500,000 and as disclosed in Note 8 to the financial statements which includes the chairman's honoraria of Kshs.960,000. The term of the Board's Chairman expired in August, 2018 and no replacement had been done as at the time of the audit in October, 2021.

In the circumstances, the accuracy and completeness of the remuneration of directors expenditure of Kshs.960,000 could not be confirmed.

#### **2. Unsupported Receivables from Exchange Transactions**

As disclosed in Note 16 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.31,057,500 which includes a balance of Kshs.12,983,500 due from Kenya Medical Training Institute (KMTTC) for inspection fees. The balance has been outstanding for more than fourteen (14) years and was not reflected as payables in KMTTC books of accounts. In addition, no provision for bad and doubtful debts was made in the books of accounts for this balance nor is there evidence of request to The National Treasury for write off as provided for in the Public Finance Management Act, 2012.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.31,057,500 as at 30 June, 2021 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 Laboratory Technicians and Technologists Board Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.



## **Key Audit Matters**

Key audit matters are those matters that, in my professional 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**

### **1. Budgetary Control and Performance**

The summary statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs.224,116,500 and Kshs.206,262,535 respectively resulting to unrealized revenue of Kshs.17,853,965 or 8% of the budget. Similarly, the Board spent Kshs.188,142,436 against an approved budget of Kshs.217,374,216 resulting to an under-expenditure of Kshs.29,231,780 or 13% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

### **2. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG:4/16/3 Vol.1(9) dated 24 June, 2020.

## **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, I confirm that, nothing 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**

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, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

---

### **Basis for Conclusion**

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

### **Responsibilities of Management and Board of Directors**

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

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

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

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

The Board of Directors is responsible for overseeing the Board'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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
  - Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

25 July, 2022



REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**

|   | Notes | 2020-2021          | 2019-2020          |
|---|-------|--------------------|--------------------|
|   |       | Kshs               | Kshs               |
| <b>Revenue from exchange transactions</b> |       |                    |                    |
| Rendering of services                     | 7     | 206,262,535        | 139,306,591        |
| Other income                              |       | -                  | -                  |
| <b>Total revenue</b>                      |       | <b>206,262,535</b> | <b>139,306,591</b> |
| <b>Expenses</b>                           |       |                    |                    |
| Employee costs                            | 8     | 21,164,179         | 19,775,915         |
| Remuneration of directors                 | 9     | 1,500,000          | 1,500,000          |
| Depreciation and amortization expense     | 10    | 798,153            | 719,656            |
| Repairs and maintenance                   | 11    | 1,721,593          | 1,013,687          |
| Operational Expenses                      | 12    | 124,377,603        | 94,869,045         |
| General expenses                          | 13    | 37,826,467         | 23,988,233         |
| Finance costs                             | 14    | 754,441            | 456,541            |
| <b>Total expenses</b>                     |       | <b>188,142,436</b> | <b>142,323,077</b> |
| Other gains/(losses)                      |       |                    |                    |
| <b>Surplus before tax</b>                 |       | <b>18,120,099</b>  | <b>(3,016,486)</b> |

The notes set out on pages 6 to 39 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:

Registrar of the Board:

Name: Abdulatif Ali.

Sign: .....

Date: 7/3/2022

Chairman of the Board:

Name: Abel O. Onyango

Sign: .....

Date: 07/3/2022





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

**14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

|   | Notes | 2020-2021         | 2019-2020         |
|---|-------|-------------------|-------------------|
|   |       | Kshs              | Kshs              |
| <b>Assets</b>                           |       |                   |                   |
| <b>Current Assets</b>                   |       |                   |                   |
| Cash and cash equivalents               | 15    | 9,247,476         | 2,404,014         |
| Receivables from exchange transactions  | 16    | 31,057,500        | 20,993,500        |
|   |       |                   |                   |
| <b>Total Current Assets</b>             |       | <b>40,304,976</b> | <b>23,397,514</b> |
|   |       |                   |                   |
| <b>Non-Current Assets</b>               |       |                   |                   |
| Property, plant and equipment           | 17    | 3,293,131         | 3,226,038         |
| <b>Total Non- Current Assets</b>        |       | <b>3,293,131</b>  | <b>3,226,038</b>  |
|   |       |                   |                   |
| <b>Total Assets</b>                     |       | <b>43,598,107</b> | <b>26,623,552</b> |
|   |       |                   |                   |
| <b>Liabilities</b>                      |       |                   |                   |
|   |       |                   |                   |
| <b>Current Liabilities</b>              |       |                   |                   |
| Trade and other payables                | 18    | 1,741,706         | 2,887,250         |
| <b>Total Current Liabilities</b>        |       | <b>1,741,706</b>  | <b>2,887,250</b>  |
|   |       |                   |                   |
| <b>Total Liabilities</b>                |       | <b>1,741,706</b>  | <b>2,887,250</b>  |
|   |       |                   |                   |
| <b>Net assets</b>                       |       | <b>41,856,401</b> | <b>23,736,302</b> |
|   |       |                   |                   |
| <b>Total Net Assets and Liabilities</b> |       | <b>41,856,401</b> | <b>23,736,302</b> |

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

Registrar of the Board:

Name: Abdulatif Ali.

Sign: .....

Date: 7/3/2022

Chairman of the Board:

Name: Abel. O. Onyango

Sign: .....

Date: 7/3/2022





**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**15 STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

|                         | Retained earnings | Total             |
|-------------------------|-------------------|-------------------|
| <b>At July 1, 2019</b>  | <b>26,752,788</b> | <b>26,752,788</b> |
|                         |                   |                   |
| Surplus                 | (3,016,486)       | (3,016,486)       |
| <b>At June 30, 2020</b> | <b>23,736,302</b> | <b>23,736,302</b> |
|                         |                   |                   |
| At July 1, 2020         | 23,736,302        | 23,736,302        |
| Surplus                 | 18,120,099        | 18,120,099        |
|                         |                   |                   |
| <b>At June 30, 2021</b> | <b>41,856,401</b> | <b>41,856,401</b> |



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

|  | 2020-2021           | 2019-2020          |
|--|---------------------|--------------------|
|  | Kshs                | Kshs               |
| <b>Cash flows from operating activities</b>                  |                     |                    |
| Receipts   |                     |                    |
| Rendering of services  | 206,262,535         | 139,306,591        |
| Other income, rentals and agency fees                        | -                   | -                  |
| Total Receipts   | 206,262,535         | 139,306,591        |
| Payments   |                     |                    |
| Compensation of employees                                    | 21,164,179          | 19,775,915         |
| Finance cost   | 754,441             | 456,541            |
| Rent paid  | 7,143,617           | 5,120,123          |
| Other payments   | 158,282,046         | 116,250,842        |
| Total Payments   | 187,344,283         | 141,603,421        |
| <b>Net cash flows from operating activities</b>              | <b>18,918,252</b>   | <b>(2,296,830)</b> |
| <b>Cash flows from investing activities</b>                  |                     |                    |
| Purchase of property, plant, equipment and intangible assets | (865,245)           | (727,260)          |
| Proceeds from sale of property, plant and                    |                     |                    |
| <b>Net cash flows used in investing activities</b>           | <b>(865,245)</b>    | <b>(727,260)</b>   |
| <b>Cash flows from financing activities</b>                  |                     |                    |
| Repayment of borrowings                                      | (1,145,544)         | 940,830            |
| Increase in deposits/Debtors                                 | (10,064,000)        | 900,500            |
| <b>Net cash flows used in financing activities</b>           | <b>(11,209,544)</b> | <b>1,841,330</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  | <b>6,843,463</b>    | <b>(1,182,760)</b> |
| Cash and cash equivalents at 1 JULY 2020                     | 2,404,014           | 3,586,774          |
| <b>Cash and cash equivalents at 30 JUNE 2021</b>             | <b>9,247,476</b>    | <b>2,404,014</b>   |

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

Registrar of the Board:

Name: Abdulatif Ali.

Sign: .....

Date: 7/3/2022

Chairman of the Board:

Name: Abel. O. Onyango

Sign: .....

Date: 07/3/2022





**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

|                             | <b>Original budget</b> | <b>Final budget</b> | <b>Actual on comparable basis</b> | <b>Performance difference</b> | <b>%</b> |
|-----------------------------|------------------------|---------------------|-----------------------------------|-------------------------------|----------|
|                             | <b>2020-2021</b>       | <b>2020-2021</b>    | <b>2020-2021</b>                  | <b>2020-2021</b>              |          |
|                             | <b>Kshs</b>            | <b>Kshs</b>         | <b>Kshs</b>                       | <b>Kshs</b>                   |          |
| <b>Revenue</b>              |                        |                     |                                   |                               |          |
| Rendering of services       | 224,116,500            | 224,116,500         | 206,262,535                       | 36,887,965                    | 8%       |
| <b>Total Revenue</b>        | 224,116,500            | 224,116,500         | 206,262,535                       | 36,887,965                    | 8%       |
| <b>Expenses</b>             |                        |                     |                                   |                               |          |
| Employee Costs              | 26,364,000             | 26,364,000          | 21,164,179                        | 5,199,821                     | 20%      |
| Remuneration of directors   | 1,500,000              | 1,500,000           | 1,500,000                         | 0                             |          |
| Depreciation expense        | 0                      | 0                   | 798,153                           |                               |          |
| Repairs and maintenance     | 1,920,000              | 1,920,000           | 1,721,593                         | 198,407                       | 10%      |
| Operational Expenses        | 140,364,000            | 140,364,000         | 124,377,603                       | 15,986,397                    | 11%      |
| General expenses            | 42,902,716             | 42,902,716          | 37,826,467                        | 5,076,249                     | 12%      |
| Finance costs               | 800,000                | 800,000             | 754,441                           | 45,559                        | 6%       |
| <b>Total Expenses</b>       | 217,374,216            | 217,374,216         | 188,142,436                       |                               |          |
| <b>Other gains/(losses)</b> |                        |                     |                                   |                               |          |
| Surplus before tax          | 6,742,284              | 6,742,284           | 18,120,099                        |                               |          |





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

### **1. General Information**

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

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

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

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





**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

**3. Adoption of New and Revised Standards**

*i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

| Standard                    | Impact  |
|-----------------------------|---|
| Other Improvements to IPSAS | <p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.<br/>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.<br/>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).<br/>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> |





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

| Standard  | Effective date and impact:   |
|---|--|
| <p><b>IPSAS 41:</b><br/>Financial Instruments</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 entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <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 Board’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> |



**Kenya Medical Laboratory Technicians and Technologists Board  
Annual Reports and Financial Statements  
For the year ended June 30, 2021**

| Standard  | Effective date and impact:   |
|---|--|
| <p><b>IPSAS 42:</b><br/>Social Benefits</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 entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Board;</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 Board's financial performance, financial position and cash flows.</li> </ul>   |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <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 guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>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.</p> |





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board  
Annual Reports and Financial Statements  
For the year ended June 30, 2021**

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

*iii. Early adoption of standards*

The Board did not early – adopt any new or amended standards in year 2020/2021.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

**Fees, taxes and fines**

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

**Transfers from other government entities**

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







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

**Summary of Significant Accounting Policies (Continued)**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

**Summary of Significant Accounting Policies (Continued)**

**ii) Revenue from exchange transactions**

**Dividends**

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

**Rental income**

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

**b) Budget information**

The original budget for Financial year 2020/2021 was Presented to the Ministry for Health for approval on 12<sup>th</sup> May 2020 as required by Law. There were no adjustments made during the period.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented page 5 of these financial statements.





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

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

**Deferred tax**

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

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

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





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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 entity 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.







**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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.





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

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.

**f) Leases**

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

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Board will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

**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.

**h) Research and development costs**

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



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

**i) Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

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

**Loans and receivables**

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

**Held-to-maturity.**

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







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

**Impairment of financial assets**

The Board assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Board determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

**Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**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 Board.





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

**k) Provisions**

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

Where the Board expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**l) Contingent liabilities**

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

**m) Contingent assets**

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





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

**n) Nature and purpose of reserves**

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

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

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

**p) Employee benefits**

**Retirement benefit plans**

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

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.







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

**q) 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.

**r) 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.

**s) Related parties**

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





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

**t) Service concession arrangements**

The Board analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Board recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Board also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**u) 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.

**v) Comparative figures**

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





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Summary of Significant Accounting Policies (Continued)**

**w) 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, 2021.

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

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

**Estimates and assumptions**

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





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Significant Judgments and Sources of Estimation Uncertainty (Continued)**

**Useful lives and residual values**

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- 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. 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.







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

**6. RENDERING OF SERVICES**

| <b>Description</b>                                  | <b>2020-2021</b>   | <b>2019-2020</b>   |
|---|--------------------|--------------------|
|   | <b>KShs</b>        | <b>KShs</b>        |
| Application fees                                    | 796,613            | 1,392,708          |
| Registration fees                                   | 2,283,052          | 4,314,754          |
| Annual Licence fees                                 | 39,015,629         | 31,860,658         |
| Examinations fees                                   | 16,457,830         | 15,138,031         |
| Attachment fees                                     | 1,079,476          | 649,633            |
| Inspections of laboratories                         | 112,626,827        | 75,031,630         |
| Indexing fees                                       | 1,316,383          | 1,649,872          |
| Inspections of Training Institutions                | 16,419,909         | 5,776,700          |
| Validation fees                                     | 14,847,700         | 3,180,425          |
| Other revenue                                       | 1,419,116          | 312,180            |
|   |                    |                    |
|   |                    |                    |
| <b>Total revenue from the rendering of services</b> | <b>206,262,535</b> | <b>139,306,591</b> |





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

**7. EMPLOYEE COSTS**

|   | <b>2020-2021</b>  | <b>2019-2020</b>  |
|---|-------------------|-------------------|
|   | <b>KShs</b>       | <b>KShs</b>       |
| Basic Salaries                          | 13,367,820        | 12,247,780        |
| House Allowance                         | 4,374,000         | 3,962,000         |
| Commuter Allowance                      | 1,598,000         | 1,496,000         |
| Social Contributions(N.S.S.F)           | 986,809           | 909,320           |
| Leave Allowance                         | 412,550           | 396,935           |
| Other Employee Costs(Interns Allowance) | 425,000           | 763,880           |
| <b>Total Employee Cost</b>              | <b>21,164,179</b> | <b>19,775,915</b> |

**8. REMUNERATION OF DIRECTORS**

| <b>Description</b>               | <b>2020-2021</b> | <b>2019-2020</b> |
|----------------------------------|------------------|------------------|
|                                  | <b>KShs</b>      | <b>KShs</b>      |
| Chairman's Honoraria             | 960,000          | 960,000          |
| Registrar's emoluments           | 540,000          | 540,000          |
| <b>Total director emoluments</b> | <b>1,500,000</b> | <b>1,500,000</b> |





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

**9. DEPRECIATION AND AMORTIZATION EXPENSE**

| Description                                | 2020-2021      | 2019-2020      |
|--|----------------|----------------|
|  | KShs           | KShs           |
| Property, plant and equipment              | 798,153        | 719,656        |
| <b>Total depreciation and amortization</b> | <b>798,153</b> | <b>719,656</b> |

**10. REPAIRS AND MAINTENANCE**

| Description                          | 2020-2021        | 2019-2020        |
|--------------------------------------|------------------|------------------|
|                                      | KShs             | KShs             |
| Vehicles                             | 1,721,593        | 1,013,687        |
| <b>Total repairs and maintenance</b> | <b>1,721,593</b> | <b>1,013,687</b> |

**11. OPERATIONAL EXPENSES**

| Description                       | 2020-2021          | 2019-2020         |
|-----------------------------------|--------------------|-------------------|
|                                   | KShs               | KShs              |
| Examinations expenses             | 11,346,013         | 7,492,222         |
| Validations expenses              | 9,642,640          | 1,457,690         |
| Inspections expenses              | 99,110,450         | 80,671,133        |
| Regulatory expenses               | 4,278,500          | 5,248,000         |
| <b>Total Operational Expenses</b> | <b>124,377,603</b> | <b>94,869,045</b> |





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

**12. GENERAL EXPENSES**

| <b>Description</b>                | <b>2020-2021</b>  | <b>2019-2020</b>  |
|-----------------------------------|-------------------|-------------------|
|                                   | <b>KShs</b>       | <b>KShs</b>       |
| Audit fees                        | 892,000           | 446,000           |
| Conferences and delegations       | -                 | 174,000           |
| Local Transport                   | 1,969,290         | 1,500,530         |
| External Transport                | -                 | 927,800           |
| Production of annual Certificates | 3,498,700         | 2,865,460         |
| Legal expenses                    | 1,802,501         | 2,144,754         |
| Postage                           | 23,725            | 24,575            |
| Printing and stationery           | 18,599,786        | 7,345,365         |
| Rental Expenses                   | 7,143,617         | 5,120,123         |
| Office Expenses                   | 1,611,365         | 1,062,563         |
| Internet Services                 | 1,048,840         | 957,680           |
| Telecommunication                 | 406,066           | 427,058           |
| Other general expenses            | 830,577           | 992,325           |
|                                   |                   |                   |
| <b>Total general expenses</b>     | <b>37,826,467</b> | <b>23,988,233</b> |

**13. FINANCE COSTS**

| <b>Description</b>         | <b>2019-2020</b> | <b>2018-2019</b> |
|----------------------------|------------------|------------------|
|                            | <b>KShs</b>      | <b>KShs</b>      |
| Bank Charges               | 754,441          | 456,541          |
|                            |                  |                  |
| <b>Total finance costs</b> | <b>754,441</b>   | <b>456,541</b>   |







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

**14. CASH AND CASH EQUIVALENTS**

| Description                            | 2020-2021        | 2019-2020        |
|--|------------------|------------------|
|  | KShs             | KShs             |
| Current account                        | 9,247,476        | 2,404,014        |
| <b>Total cash and cash equivalents</b> | <b>9,247,476</b> | <b>2,404,014</b> |

**15. DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS**

| Financial institution | Account number | 2020-2021        | 2019-2020        |
|-----------------------|----------------|------------------|------------------|
|                       |                | KShs             | KShs             |
| a) Current account    |                |                  |                  |
| National Bank         | 01020058193500 | 604,433          | 1,471,997        |
| Equity Bank           | 0170296759439  | 6,328,790        | 521,735          |
| Co-operative Bank     | 02120128867800 | 2,219,341        | 365,461          |
| <b>Sub- total</b>     |                | <b>9,152,564</b> | <b>2,359,193</b> |
| b) Others(specify)    |                |                  |                  |
| Cash in hand          |                | 68,333           | 40,054           |
| M-pesa Paybill        | 927600         | 26,579           | 4,767            |
| <b>Sub- total</b>     |                | <b>94,912</b>    | <b>44,821</b>    |
| <b>Grand total</b>    |                | <b>9,247,476</b> | <b>2,404,014</b> |

**16. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

| Description              | 2020-2021         | 2019-2020         |
|--------------------------|-------------------|-------------------|
|                          | KShs              | KShs              |
| Current receivables      |                   |                   |
| Service Receivables      | 31,057,500        | 20,993,500        |
| <b>Total receivables</b> | <b>31,057,500</b> | <b>20,993,500</b> |





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

**17. PROPERTY, PLANT AND EQUIPMENT**

|                                     | <b>Furniture and Fittings</b> | <b>Computers</b> | <b>Total</b>      |
|-------------------------------------|-------------------------------|------------------|-------------------|
| <b>Cost</b>                         | <b>Shs</b>                    | <b>Shs</b>       | <b>Shs</b>        |
| At 1 July 2019                      | 6,598,331                     | 6,594,515        | 13,192,846        |
| Additions                           | 240,000                       | 487,260          | 727,260           |
|                                     |                               |                  |                   |
| <b>At 30<sup>th</sup> June 2020</b> | <b>6,838,331</b>              | <b>7,081,775</b> | <b>13,920,106</b> |
| Additions                           | 132,495                       | 732,750          | 865,245           |
|                                     |                               |                  |                   |
| <b>At 30<sup>th</sup> June 2021</b> | <b>6,970,826</b>              | <b>7,814,525</b> | <b>14,785,351</b> |
| <b>Depreciation and impairment</b>  |                               |                  |                   |
| At 1 July 2019                      | 4,186,602                     | 5,787,811        | 9,974,413         |
| Depreciation Charge for the year    | 331,466                       | 388,189          | 719,655           |
|                                     |                               |                  |                   |
| <b>At 30 June 2020</b>              | <b>4,518,068</b>              | <b>6,176,000</b> | <b>10,694,068</b> |
| Depreciation Charge for the year    | 306,595                       | 491,557          | 798,152           |
|                                     |                               |                  |                   |
| <b>At 30<sup>th</sup> June 2021</b> | <b>4,824,663</b>              | <b>6,667,558</b> | <b>11,492,220</b> |
|                                     |                               |                  |                   |
| <b>Net Book Values</b>              |                               |                  |                   |
| <b>At 30<sup>th</sup> June 2021</b> | <b>2,146,163</b>              | <b>1,146,967</b> | <b>3,293,131</b>  |
| <b>At 30<sup>th</sup> June 2020</b> | <b>2,320,263</b>              | <b>905,775</b>   | <b>3,226,038</b>  |





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

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

| <b>Description</b>                    | <b>2020-2021</b> | <b>2019-2020</b> |
|---------------------------------------|------------------|------------------|
|                                       | <b>KShs</b>      | <b>KShs</b>      |
| Trade payables                        | 1,295,706        | 2,441,250        |
| Other payables – Audit fees           | 446,000          | 446,000          |
|                                       |                  |                  |
| <b>Total trade and other payables</b> | <b>1,741,706</b> | <b>2,887,250</b> |

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

**19. FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

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





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

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

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

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

**(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.







REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**(iii) Market risk**

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

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

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

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

**a) Foreign currency risk**

The Board 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.





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

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

**b) Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

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





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

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

**Fair value of financial assets and liabilities**

*a) Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

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

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

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





REPUBLIC OF KENYA  
MINISTRY OF HEALTH



**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

**iv) Capital Risk Management**

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

**20. RELATED PARTY BALANCES**

Nature of related party relationships

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

**21. SEGMENT INFORMATION**

The Board operates in Nairobi only. No branches

**22. EVENTS AFTER THE REPORTING PERIOD**

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

**23. ULTIMATE AND HOLDING ENTITY**

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

**24. CURRENCY**

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







**Kenya Medical Laboratory Technicians and Technologists Board**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

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

| Reference No. on the external audit Report | Issue / Observations from Auditor      | Management comments  | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|--|-----------------------------------|--|
| 1.   | Remuneration of Directors              | The board has communicated to the Ministry of Health concerning the appointments of Directors which include the Chairman | CEO – Abdulatif Ali  | Not resolved                      | June 2022  |
| 2.   | Receivables from exchange Transactions | The meeting with the KMTC Management was initiated so that Modalities of how payment would be effected.                  | CEO – Abdulatif Ali  | Partly Paid                       | June 2022  |





**Kenya Medical Laboratory Technicians and Technologists Board  
Annual Reports and Financial Statements  
For the year ended June 30, 2021**

| 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) |
|--|-------------------------------------|---|--|-----------------------------------|--|
| 3.   | Payables from exchange Transactions | The management will pay the liabilities which has been long outstanding                   | CEO – Abdulatif Ali  | Partly Paid                       | June 2022  |
| 4.   | Operation without Board Members     | The board has communicated to the Ministry of Health concerning the appointments of board | CEO – Abdulatif Ali  | Not resolved                      | June 2022  |

