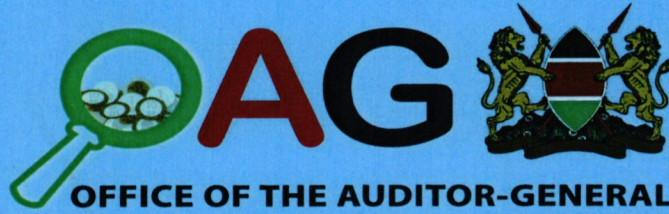


58



Enhancing Accountability



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 FEB 2021	DAY: Tuesday
REPORT TABLED BY:	L. O. M
CLERK-AT THE-TABLE:	Mamoh Monjiku

PARLIAMENT
OF KENYA
LIBRARY

**OF
THE AUDITOR-GENERAL**

ON

**GLOBAL FUND – EXPANDING HIV PREVENTION,
CARE AND TREATMENT SERVICES TO REACH
UNIVERSAL ACCESS (80% COVERAGE) TO REDUCE
BOTH INCIDENCE AND ASSOCIATED IMPACT
PROGRAM (GRANT NO. KEN-H-MOF/
KEN-H-TNT NO.853)**

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

MINISTRY OF HEALTH





Project Name: Global Fund – Expanding HIV Prevention, Care and Treatment Services to Reach Universal Access (80% Coverage) to Reduce Both Incidence and Associated Impact Program


Implementing Entity: MINISTRY OF HEALTH

PROJECT GRANT/CREDIT NUMBER: KEN - H-MOF/KEN-H-TNT No. 853

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 FEB 2021	DAY:
TABLED BY:	
CLERK-AT THE-TABLE:	



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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Global Fund HIV Aids Program,

Objective: The key objective of the project is to reduce new infections by 75% and to reduce AIDS related mortality rates by 25% by the year 2019

Address: The project headquarters offices are;
 Afya Annex Building, Nairobi, Kenya.

The address of its registered office is:
 NASCOP – Global Fund Project Office
 Ministry of Health
 P.O. Box 30016 – 00100
 NAIROBI

National Aids and STI Control Program
 P.O. Box 19361 – 00202
 NAIROBI

Contacts: The following are the project contacts

Afya House, Cathedral Road
 Telephone: (254) 0202729502/49
 E-mail: head@nascop.or.ke
 Website: www.nascop.or.ke

1.2 Project Information

Project Start Date:	The project start date is 1 st October,2015
Project End Date:	The project end date is 31 st December,2017
Project Manager:	The project Manager is Dr Pacifica K Onyancha
Project Sponsor:	The project sponsor is Global Fund to Fight Against AIDS, Tuberculosis and malaria

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Health.
Project number	THE GLOBAL FUND HIV AIDS KEN-H-MOF/KEN-TNT-No.853
Strategic goals of the project	The strategic goals of the project are as follows: (i) By 2019, reduce new HIV Infections by 75% (ii) By 2019, reduce Aids related mortality by 25%

GLOBAL FUND HIV AIDS PROGRAM: KEN-H-MOF/KEN-H-TNT No.853
Reports and Financial Statements
For the financial year ended June 30, 2020

	<ul style="list-style-type: none"> (iii) A strong focus on key populations i.e AGYW, MSM, FSWs and PWIDs (iv) Use of programmatic approaches among the key populations by the adoption of differentiated care service delivery for HIV in order to increase uptake of services. (v) With the adoption of 90, 90, 90 Global targets, monitoring viral load suppression among patients on ART will be a core activity.
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Scaling-up care and treatment services to reach the 90 90 90 targets by 2019 (ii) Scaling-up coverage of Key populations interventions (iii) Reducing risky behaviour among the targeted population (iv) Implementation at National level of the skilled free deliveries strategy (v) Increasing coverage of HTC, VMMC, PMTCT and PEP programs (vi) Supporting community interventions towards PLWHA and PMTCT and improving the linkage between the Communities and the Health facilities (vii) Complementarity between the Governmental and Civil Society Principal recipients (viii) Strengthening PMS for HIV Commodities
Other important background information of the project	The project is managed by the ministry of Health on behalf of the National Treasury who are the Principal Recipient of the Grant
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> (i) HIV Prevention programs (ii) Provision of HIV care and treatment to those living with HIV (iii) Mitigate the social and economic effect of HIV among those infected and affected by HIV (iv) Strengthening of Procurement and supply chain management
Project duration	The project started on 1 st October, 2015 and is expected to run until 31 st December, 2017.

1.4 Bankers

The following are the bankers for the current year:

- (1) Co-operative Bank of Kenya

1.5 Auditors

The project is audited by the Office of Auditor General - Kenya

1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Dr. Pacifica K Onyancha	Ag Director Preventive and Promotive health services	Masters Psychiatry Medicine	Ag Director Preventive and Promotive health services
Dr. Nazila Ganatra	SADMS	Masters in Public Health/Masters in Epidemiology	Head, National Strategic Public Health Programs
Dr. Catherine Njeri Ngugi	Senior Medical Officer	Masters in Public Health	Program Head: Nascop Oversight authority ang grant implementation
Dr. Newton A Omale	Assistant Chief Pharmacist	Masters in Pharmaceuticals and Medicine Control, BPharm	Global Fund Manager: technical Officer in charge of Coordination of the Grant and implementation
Dr. Evans A. Imbuki	Assistant Chief Pharmacist	Masters in Pharmacoepidemiology and Pharmacovigilance, BPharm	Pharmacist: In charge of procurement of commodities for the Grant activities
CPA Elijah Ombati	Program Accountant	Masters in Finance and Economics. CPA (K)	Program accountant: In charge of sound Financial Management and Reporting on program Financial statements

GLOBAL FUND HIV AIDS PROGRAM: KEN-H-MOF/KEN-H-TNT No.853
Reports and Financial Statements
For the financial year ended June 30, 2020

1.7 Funding summary

The Project is for duration of 21/4 years from 2015 to 2017 with an approved budget of US\$ 43,200,481 (use donor currency) equivalent to KShs 3,801,642,328 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date.– (30/06/2020)		Undrawn balance to date (30/06/2020)	
	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Global Fund	43,200,481	3,801,642,328	27,083,977	2,784,843,282	9,825,170	1,016,799,046
(ii) Counterpart funds						
Government of Kenya				168,469,076		
Miscellaneous receipts				56,629,645		
Total	43,200,481	3,801,642,328	27,083,977	3,009,942,003	9,825,170	1,016,799,046

[Delete the non-applicable source of funds from the table above. The amounts received to date should tie/agree to what is captured in the Statement of Receipts and Payments as applicable.]

1.8 Summary of Overall Project Performance:

The project phase ended in December 2017

1.9 Summary of Project Compliance:

The project has continued to comply with both donor and government regulations in force from time to time, and has no issue of non-compliance.

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Principal Secretary* for the Ministry of Health and the *Project Coordinator* for **Global Fund Hiv aids Program** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement 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 Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

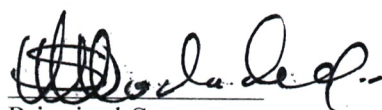
The *Principal Secretary* for the Ministry of Health and the *Project Coordinator* for **Global Fund Hiv Aids Program** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Principal Secretary* for the Ministry of Health and the *Project Coordinator* for **Global Fund Hiv Aids Program** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2020, and of the Project's financial position as at that date. The *Principal Secretary* for Health and the *Project Coordinator* for **Global Fund Hiv Aids Program** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

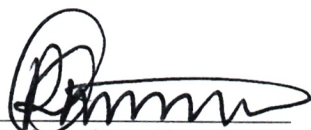
The *Principal Secretary* for the Ministry of Health and the *Project Coordinator* for **Global Fund Hiv Aids Program** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the *Principal Secretary* for the Ministry of Health and the *Project Coordinator* for **Global Fund Hiv Aids Program** on 02/12 2020 and signed by them.



Principal Secretary
Name: Susan Mochache



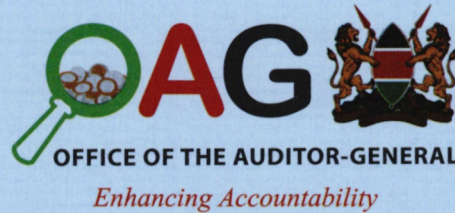
Project Coordinator
Name: Pacifica Onyancha



Project Accountant
Name: Elijah Ombati
ICPAK Member No:9736

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-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 GLOBAL FUND – EXPANDING HIV PREVENTION, CARE AND TREATMENT SERVICES TO REACH UNIVERSAL ACCESS (80% COVERAGE) TO REDUCE BOTH INCIDENCE AND ASSOCIATED IMPACT PROGRAM (GRANT NO. KEN-H-MOF/KEN-H-TNT NO.853) FOR THE YEAR ENDED 30 JUNE, 2020 - MINISTRY OF HEALTH

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Global Fund - Expanding HIV Prevention, Care and Treatment Services to Reach Universal Access (80% Coverage) to Reduce Both Incidence and Associated Impact Program (Grant No. KEN-H-MOF/KEN-H-TNT No. 853) set out on pages 1 to 18, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Global Fund - Expanding HIV Prevention, Care and Treatment Services to Reach Universal Access (80% Coverage) to Reduce Both Incidence and Associated Impact Program as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the requirements of the Program Grant Agreement No. KEN-H-MOF/KEN-H-TNT No.853 between the Global Fund and the Republic of Kenya dated 7 December, 2011 as amended and restated on 1 October, 2015.

In addition, the special account statement presents fairly the special account transactions for the period and the closing balance has been reconciled with the books of account.

Basis for Qualified Opinion

Bank Balances

The statement of financial assets reflects a bank balance of Kshs.11,936,241 as at 30 June, 2020. A review of the Project's bank statement revealed that deposits totalling to

Report of the Auditor-General on Global Fund – Expanding HIV Prevention, Care and Treatment Services to Reach Universal Access (80% Coverage) to Reduce Both Incidence and Associated Impact Program (Grant No. KEN-H-MOF/KEN-H-TNT No.853) for the year ended 30 June, 2020 - Ministry of Health

Kshs.11,791,000 were made into the account on diverse dates during the year. Explanation from Management indicates that the deposits were from the Clinton Health Access Initiative (CHAI). This is in contravention to the Global Fund Grant Regulations (2014) clause 3.4(d) which provides that the grant funds should not be co-mingled with other funds unless agreed to in writing by the Global Fund. No evidence of approval from Global Fund was availed for audit verification.

In addition, the bank reconciliation statement for June, 2020 reflects receipts in bank statement not in cash book totalling to Kshs.11,791,000 and payments in bank statement not in cash book totalling to Kshs.13,338,430 whose clearance status was not availed for audit verification.

Further, and as reported in the previous year, the bank's project reconciliation statement for the month of June, 2018 reflected receipts in cash book not captured in the bank amounting to Kshs.1,397,060. However, a review of the bank statements had revealed that the cheques amounting to Kshs.1,397,060 had been cleared in May, 2018.

In the circumstances, the accuracy and validity of cash and bank balance of Kshs.11,936,241 reflected in the statement of financial assets as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Global Fund - Expanding HIV Prevention, Care and Treatment Services to Reach Universal Access (80% Coverage) to Reduce Both Incidence and Associated Impact Program 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, were of most significance in the audit of the financial statements. There were no key audit matters to report during the year under review.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Inability to Utilize the Grant within the Project Period

As disclosed under the funding summary section of the annual report and financial statements, the Project was for a duration of two (2) years, from 1 October, 2015 to 31 December, 2017 with total available funding of Kshs.3,801,642,328 (USD 43,200,481). A review of the annual report and financial statements for the year ended 30 June, 2020, however reflects undrawn balances of Kshs.1,016,799,046 (USD 9,825,170) and cash and cash equivalents balance of Kshs.11,936,241 as at 30 June, 2020 which is likely to be refunded to the Donor as no Project extension is in place. Although Management has indicated that disbursements of funds to counties remained a challenge, there was need to expand the area of coverage so as to utilize the grant and to maximize the benefits. In the circumstances, the primary objective of reduction of HIV AIDS new infections by 75% and related mortality rate by 25% and value for money for the program may not have been achieved in light of undrawn and unutilized funds.

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 those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash

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 system, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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



Nancy Gathungu
AUDITOR-GENERAL

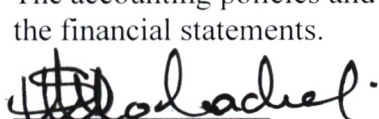
Nairobi

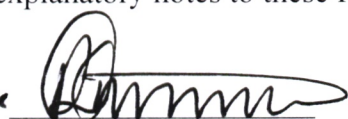
22 December, 2020

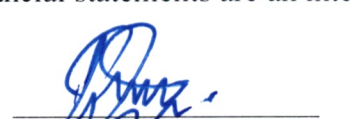
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019/2020		2018/2019		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	9.1	-	-	-	-	168,469,076
Proceeds from domestic and foreign grants	9.2	0	0	0	0	2,784,843,282
Loan from external development partners		0	0	0	0	0
Miscellaneous receipts	9.3	1,024,627	0	5,432,208	0	56,629,645
TOTAL RECEIPTS		1,024,627	0	5,432,208	0	3,009,942,003
PAYMENTS						
Compensation of employees	9.4	0	0	0	0	251,050,475
Purchase of goods and services	9.5	0		46,621	0	2,653,171,582
Social security benefits	9.6	0	0	0	0	938,130
Acquisition of non-financial assets	9.7	0	0	0	0	12,130,314
Transfers to other government entities		0	0	0	0	0
Other grants and transfers and payments	9.8	56,460,732	0	0	0	56,460,732
TOTAL PAYMENTS		56,460,732	0	46,621	0	2,973,751,233
SURPLUS/(DEFICIT)		(55,436,105)	0	5,385,587	0	36,190,770

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


Principal Secretary
Name: Susan Mochache


Project Coordinator
Name: Pacifica Onyancha

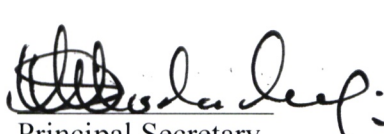

Project Accountant
Name: Elijah Ombati
ICPAK Member No:9736

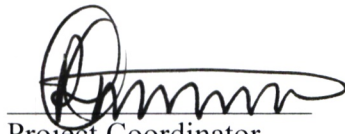
GLOBAL FUND HIV AIDS PROGRAM: KEN-H-MOF/KEN-H-TNT No.853
Reports and Financial Statements
For the financial year ended June 30, 2020

5. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019-2020	2018-2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9.9	11,936,241	67,372,346
Cash Balances		0	0
Cash Equivalents (short-term deposits)		0	0
Total Cash and Cash Equivalents		11,936,241	67,372,346
TOTAL FINANCIAL ASSETS		11,936,241	67,372,346
REPRESENTED BY			
Fund balance b/fwd	9.10	67,372,346	73,237,549
Prior year adjustments		0	(11,250,790)
Surplus/(Deficit) for the year		(55,436,105)	5,385,287
NET FINANCIAL POSITION		11,936,241	67,372,346

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 15/12 2020 and signed by:


Principal Secretary
Name: Susan Mochache

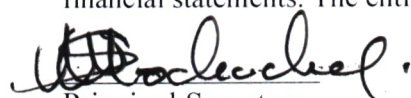

Project Coordinator
Name: Pacifica Onyancha

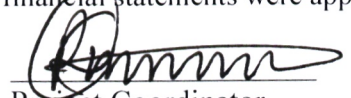

Project Accountant
Name: Elijah Ombati
ICPAK Member No: 9736

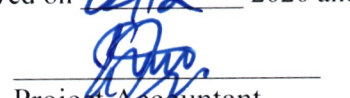
6. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2020

		2019-2020	2018-2019
	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities		0	0
Proceeds from domestic and foreign grants		0	0
Miscellaneous receipts	9.3	1,024,627	5,432,208
Payments from operating activities			
Compensation of employees		0	0
Purchase of goods and services		0	46,621
Social security benefits		0	0
Transfers to other government entities		0	0
Other grants and transfers	9.8	(56,460,732)	0
Adjustments during the year			
Decrease/(Increase) in Accounts receivable:		0	0
Increase/(Decrease) in Accounts Payable: (deposits and retention)		0	0
Prior Year Adjustments		0	0
Net cash flow from operating activities		(55,436,105)	5,385,587
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets		0	0
Net cash flows from Investing Activities		0	0
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings		0	0
Net cash flow from financing activities		0	0
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year		67,372,346	61,986,759
Cash and cash equivalent at END of the year		11,936,241	67,372,346

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 21/2 2020 and signed by:


Principal Secretary
Name: Susan Mochache


Project Coordinator
Name: Pacifica Onyancha

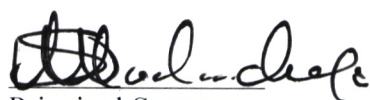

Project Accountant
Name: Elijah Ombati
ICPAK Member No:9736

GLOBAL FUND HIV AIDS PROGRAM: KEN-H-MOF/KEN-H-TNT No.853
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For the financial year ended June 30, 2020

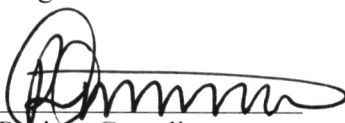
7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Miscellaneous receipts	0	0	0	1,024,627	(1,024,627)	(100%)
Total Receipts	0	0	0	1,024,627	(1,024,627)	
Payments						
Compensation of employees	0	0	0	0	0	0
Purchase of goods and services	0	0	0	0	0	0
Social security services	0	0	0	0	0	0
Total Payments	0	0	0	0	0	0

Note: The significant budget utilisation/performance differences is due to interest earned on bank balances which had not been budgeted.



Principal Secretary
Name: Susan Mochache



Project Coordinator
Name: Pacifica Onyancha



Project Accountant
Name: Elijah Ombati
ICPAK Member No:9736

8. NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these financial statements are set out below:

8.1 Basis of Preparation

8.1.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

8.1.2 Reporting entity

The financial statements are for the Project Global Fund Hiv Aids under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

8.1.3 Reporting currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

8.1.4 Significant Accounting Policies

a) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

- **Transfers from the Exchequer**

Transfer from Exchequer is be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

- **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

• **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

• **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

• **Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

• **Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

• **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

c) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

d) 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.

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

f) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity 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.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) Contingent Assets

The Entity 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 Entity 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.

h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not

involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

i) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project’s budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project’s actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

j) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year no loan disbursements were received in form of direct payments from third parties.

k) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Comparative figures

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

m) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

n) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

9.1.TRANSFERS FROM GOVERNMENT ENTITIES

	2019/20			2018/19	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Transfer from government entities	0	0	0	0	168,469,076
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>168,469,076</u>

9.2.PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

	2019/20			2018/19	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Global Fund	0	0	0	0	2,784,843,282
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,784,843,282</u>

9.3. MISCELLANEOUS RECEIPTS

	2019/20			2018/19	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Interest earned	1,024,627	0	1,024,627	1,295,217	51,492,654
Other receipts not classified elsewhere	0	0	0	4,136,991	4,136,991
Total	<u>1,024,627</u>	<u>0</u>	<u>1,024,627</u>	<u>5,432,208</u>	<u>55,629,645</u>

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9.4. COMPENSATION OF EMPLOYEES

	2019/20			2018/19	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Basic salaries of permanent employees	0	0	0	0	0
Basic salaries of temporary employees	0	0	0	0	180,413,383
Personal allowances paid as part of salary-Stipend	0	0	0	0	48,833,819
Compulsory national social security schemes-NSSF	0	0	0	0	922,330
Compulsory national health insurance schemes-NHIF	0	0	0	0	582,500
Other personal payments-gratuity	0	0	0	0	20,298,443
Total	0	0	0	0	251,050,475

9.5. PURCHASE OF GOODS AND SERVICES

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	0	0	0	0	0
Communication, supplies and services	0	0	0	0	5,437,929

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Domestic travel and subsistence	0	0	0	0	96,186,910
Foreign travel and subsistence	0	0	0	0	6,398,991
Printing, advertising and – information supplies & services	0	0	0	0	227,829,415
Rentals of produced assets	0	0	0	0	0
Training payments	0	0	0	0	1,971,868,928
Hospitality supplies and services	0	0	0	0	85,480,545
Insurance costs	0	0	0	0	0
Specialised materials and services	0	0	0	0	48,848,325
Other operating payments	0	0	0	46,621	192,014,828
Routine maintenance – vehicles and other transport equipment	0	0	0	0	19,105,711
Total	0	0	0	46,621	2,653,171,582

9.6.SOCIAL SECURITY BENEFITS

	2019/20			2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Employer social benefits in cash and in kind	0	0	0	0	938,130
Total	0	0	0	0	938,130

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9.7. ACQUISITION OF NON FINANCIAL ASSETS

	2019/20			2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of office furniture & general equipment	0	0	0	0	12,130,314
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,130,314</u>

9.8. OTHER GRANTS AND PAYMENTS

	2019/20			2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Transfer to the GF NFM	56,460,732	0	56,460,732	0	56,460,732
Total	<u>56,460,732</u>	<u>0</u>	<u>56,460,732</u>	<u>0</u>	<u>56,460,732</u>

9.9.CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts (Note 9.7A)	11,936,241	67,372,346
Cash in hand (Note 9.7 B)	0	0
Cash equivalents (short-term deposits) (Note 9.6 C)	0	0
Total	11,936,241	67,372,346

The project has one project account spread within the project implementation area and a foreign currency designated account managed by the National Treasury as listed below:

9.9 A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	0	0
Kenya Commercial Bank [A/c No.....]	0	0
Co-operative Bank of Kenya [A/c No 01141125021800]	0	0
Others (<i>specify</i>)	0	0
Total Foreign Currency balances	0	0
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	0	0
Kenya Commercial Bank [A/c No.....]	0	0
Co-operative Bank of Kenya [A/c No 01141125021800]	11,936,241	67,372,346
Others (<i>specify</i>)	0	0
Total local currency balances	11,936,241	67,372,346
Total bank account balances	11,936,241	67,372,346

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9.10. FUND BALANCE BROUGHT FORWARD/CARRIED FORWARD

	2019/2020	2018/2019
	Kshs	Kshs
Bank Accounts	11,936,241	67,372,346
Cash in hand	0	0
Cash equivalents	0	0
Receivables	0	0
Total	11,936,241	67,372,346

10. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

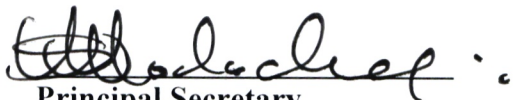
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unconfirmed bank balance of Kshs.67,372,346 as at 30 June 2019. The bank reconciliation statement for Co-operative bank account No.01141125021800 for the month of June, 2018 reflected receipts in cashbook not captured in the bank amounting to Kshs.1,397,060. However, a review of the bank statements had revealed the cheques amounting Kshs.1,397,060 had indeed been cleared in May, 2018.	This was inter-cashbook transfers which have since been cleared	Project Accountant	Resolved	December 2020
2	The statement of financial assets reflects prior year adjustment of kshs.11,250,790 which relates to outstanding imprest and advances for the prior year accounted for in the year under review. The treatment is contrary to the	The financial statements have been adjusted correctly.	Project Accountant	Resolved	December 2020

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	requirement of paragraph 47 of IPSAS 3				

Guidance Notes:

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


 Principal Secretary
 17/12/2020
 Date


 Project Coordinator
 17/12/2020
 Date

APPENDICES

- i. Bank Reconciliations
- ii. Cash Count Certificate
- iii. Special Deposit Account(s) reconciliation statement(s)



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