

REPUBLIC OF KENYA

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REPORT

DATE: 23 FEB 2021

DAY.

Thursday

TABLED
BY:

C.O.M

CHECKED AT
THE TABLE:

Mairah Wanjiku

THE AUDITOR-GENERAL

ON

**KENYA HEALTH SECTOR SUPPORT (EMMS)
PROJECT
(IDA CREDIT NO.4771 AND NO. 50340 – KE)**

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

MINISTRY OF HEALTH



Project Name: KENYA: Health Sector Support Project (EMMS/KEMSA COMPONENT)
Implementing Entity: MOH & KEMSA

PROJECT GRANT/CREDIT NUMBER: CR NO: 4771-KE & 50340 - KE

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.	
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KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

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KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The Kenya health sector support project and health sector support programme- The Essential Medicines and Medical Supplies Component.

Objective: The key objective of the project is to improve the quality of Health services at the lower levels of service, by providing adequate and quality drugs so as to reduce the level of stock-out and increase funding budgets for KEMSA.

Address: The project headquarters offices are Nairobi (city), Nairobi County, Kenya.
The address of its registered office is: Ministry of Health
Afya House – cathedral Road
P.O. Box 30016-00100 Nairobi.

The project is based at the National Level but it supports all the facilities at the Lower levels of service i.e. Level 1, 2, 3 and Sub District Hospitals.

Contacts: The following are the project contacts

Telephone: (254) -20-2717077

E-mail: PS @health.go.ke

Website: www.go.ke

1.2 Project Information

Project Start Date:	The project start date is 30/09/2010
Project End Date:	The project end date is 06/30/2018
Project Manager:	The project manager is Dr. David Kariuki
Project Sponsor:	The project sponsor is -Dr. Gandham N.V. Ramana

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Health Ministry.
Project number	CR 47710 & 50340
Strategic goals of the project	The strategic goals of the project are as follows: (i) To ensure an improved availability of commodities in the lower level of health Facilities. (ii) Help to address the problem of insufficient budget for the commodities and build up a buffer stock for EMMS for level 2 and 3 and limit extend for level 4.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) The product lists will be rationalized and standardized through evidence-based reviews of the Essential Medicines List and Essential Medical Supplies List (EMSL). (ii) The creation of buffer stock will be used to address the problem of late starts in procurement procedures, pegged to the availability of funds in the annual budget of the ministry.
Other important background information of the project	The project aims at strengthening pharmaceutical and medical supplies procurement; regulation and management system need major investment.

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT**Reports and Financial Statements****For the financial year ended 30 June, 2020**

Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) The availability of essential medicines and medical supplies has improved in the public facilities. (ii) The project has provided financing to commodities and has strengthened the logistics system.
Project duration	The project started on 30 th Sep 2010 and is expected to run until 30 th June 2018.

1.4 Bankers

The following are the bankers for the current year:

- I. CENTRAL BANK OF KENYA – (PROJECT ACCOUNT)
ACCOUNT NAME: HEALTH SEC SUP PRJ AND HSSP 111-EMMS (KES)
ACCOUNT: 1000187468
P.O BOX 60000 - 0200
- II. COOPERATIVE BANK – DEPOSIT ACCOUNT
ACCOUNT NAME: HEALTH SEC SUP PROJECT -KEMSA
ACCOUNT: 02120134337900
P.O. BOX 74956-00100

1.5 Auditors

The project is audited by the:

Auditor - General

P.O Box 30084 – 00100

Nairobi.

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. David Kariuki	Head, Directorate of policy, planning and Health care Financing.	MB chB, Msc	Project oversight and overall coordination of activities of the Directorate and Project Coordinator
Dr. Valeria Makory	Project Coordinator	MBChB, MSc Medical Statistics (Nbi), MSc Public Health (Kemri)	Project Coordinator - Kenya Health Sector Support Project
Alice Olango	Project Accountant	B.com, CPA(K)	Preparation of Financial reports as required from time to time e.g. Bank reconciliation, preparation of project F/S ,

Note: The Project operates within the MOH structures and systems and therefore involves multiple parties beyond the names provided above.

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

1.7 Funding summary

The Project is for duration of 4 years from 30/09/2010 to 30/6/2018 with an approved budget of Kshs 12,820,345,356.00 as highlighted in the table below for the Bank. Other Partners are Danida and GOK whose contribution is given at the budgeting period.

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 June, 2019)		Undrawn balance to date (30 th June 2019)	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
(i) Grant						
Royal Danish Embassy-Danida	95,535,706.00	1,624,107,002.00	95,129,382.35	1,617,199,500.00	406,323.65	6,907,502.00.00
(ii) Loan						
IDA-International Development Agency.	104,800,000.00	8,908,000,000.00	104,562,438.99	10,456,243,899.00	237,561.01	23,756,101.00
(iii) Counterpart funds					-	
Government of Kenya	-	2,288,238,354.00		2,002,419,177		285,819,177.00
Total	200,335,706.00	12,820,345,356.00	199,691,821.34	14,075,862,576.00	643,884.66	316,482,780

Note : As a result of devolution funds for GOK were devolved to the counties in 2015/2016
Exchange rate 1USD=KSH85 1DKK=SH 17

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT
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1.8 Summary of Overall Project Performance:

- The Project was able to achieve the targeted objectives as they were set in the work plan of 2019/2020

1.9 Summary of Project Compliance:

- The project complied with applicable laws and regulations, and essential external financing agreements/covenants and this helped us to achieve the objectives set.

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of Health and the Project Coordinator for KHSSP & HSSP III 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 ended on June 30, 2019. 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.

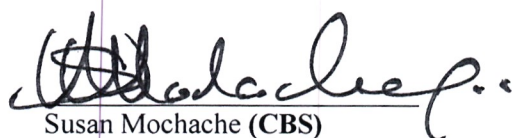
The Principal Secretary for the Ministry of Health and the Project Coordinator for KHSSP & HSSP III accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International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

The Principal Secretary for the Ministry of Health and the Project Coordinator for KHSSP & HSSP III 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 ended June 30, 2020, and of the Project's financial position as at that date. The Principal Secretary for Ministry of Health and the Project Coordinator for KHSSP & HSSP III 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 KHSSP & HSSP III 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 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 KHSSP on _30th June_2020 and signed by them.



Susan Mochache (CBS)
Principal Secretary

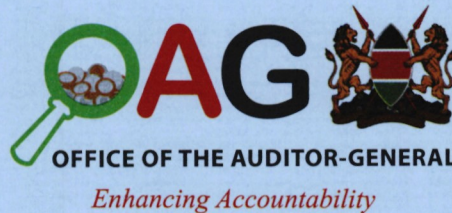


Dr. David Kariuki
Project Coordinator

10/12/2020

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 KENYA HEALTH SECTOR SUPPORT (EMMS) PROJECT (IDA CREDIT NO.4771 AND NO. 50340 – KE) 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 Kenya Health Sector Support (EMMS Component 2) Project set out on pages 1 to 12, which comprise the statement of financial assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and statements 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 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 Health Sector Support (EMMS) Project 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 Financing Agreement Credit No. 4771 and No. 50340 - KE dated 21 January, 2014 between the International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transaction and the closing balance has been reconciled with the books of account.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

The statement of financial assets and liabilities reflects a nil bank balance as at 30 June, 2020. However, a review of the financial statements indicates that the project had an opening bank balance of Kshs.135,997,035 as at 1 July, 2019, out of which an amount of Kshs.133,617,037 is indicated as having been surrendered to The National Treasury during the year as disclosed in Note 8.10 to the financial statements. However, no documentary evidence including bank statements, bank confirmation certificate or cash book was availed for audit verification.

Report of the Auditor-General on Kenya Health Sector Support (EMMS) Project (IDA Credit No.4771 and No.50340 – KE) for the year ended 30 June, 2020 – Ministry of Health

In the circumstances, the accuracy of the cash and cash equivalents nil balance as at 30 June, 2020 could not be confirmed.

2. Receivables

The statement of financial assets and liabilities reflects a receivables balance of Kshs.2,380,000 as at 30 June, 2020. This balance was previously reflected as a reconciling item in the bank reconciliation statement dating back to July, 2016. Additional information however, indicates that this balance relates to a double payment that was made to a company and for which no refund had been effected as at the time of the audit in November, 2020.

In the circumstances, the accuracy and full recoverability of receivables balance of Kshs.2,380,000 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 Kenya Health Sector Support (EMMS) Project Management in accordance with ISSAIs 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 judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matter-Transfer to Other Government Entities

As disclosed in Note 8.7 to the financial statements, the statement of receipts and payments for 2018/2019 financial year reflected transfers to other government entities of Kshs.527,102,564 which included a transfer of Kshs.73,908,356 to International Development Association (IDA) in respect of ineligible funds identified under the Project during implementation period termed as long outstanding un-documented expenditures caused by foreign exchange losses. The Project Management did not avail supporting documents and explanations for the payment by way of clarifications and information on how the amount was tabulated and why such losses could not have been avoided. The matter remained outstanding as at 30 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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in use of Public Resources section of my report, I confirm that, nothing else

has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Late Submission of Financial Statements

During the year under review, the Project Management submitted the financial statements to the Auditor-General on 19 October, 2020, nineteen (19) days after the statutory date of 30 September, 2020. This is contrary to Section 47(1) of the Public Audit Act, 2015 which requires that financial statements should be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

Management was therefore in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Development Association (IDA) and the Republic of Kenya, except for the matters under the Basis for Qualified Opinion and Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I report based on my audit that: -

- i. 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;

- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project financial statements are in agreement with the accounting records and returns.

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, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project'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 Project or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit 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 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

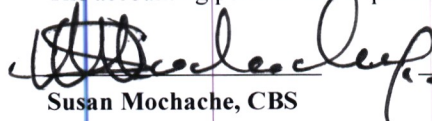
28 December, 2020

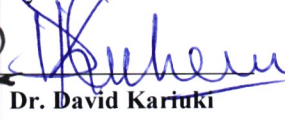
KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

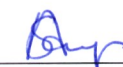
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2020

		2019/2020		2018/2019	
	Notes	Receipts and payments controlled by the entity Kshs	Receipts and Payments made by third parties Kshs	Receipts and payments controlled by the entity Kshs	Receipts and Payments made by third parties Kshs
RECEIPTS					
Transfer from Government entities	8.2	-	-	-	2,002,419,177
Proceeds from domestic and foreign grants	8.3	-	-	-	1,617,199,500
Loan from external development partners	8.4	-	-	350,000,000	9,285,444,853
Miscellaneous receipts	8.5	-	-	-	548,603,390
Total receipts		-	-	350,000,000	13,453,666,920
PAYMENTS					
Purchase of goods and services	8.6	-	-	52,526,646	10,469,298,859
Transfers to other government entities	8.7	-	-	527,102,564	2,848,371,026
TOTAL PAYMENTS		-	-	579,629,210	13,317,669,885
SURPLUS/DEFICIT FOR THE YEAR		-	-	(229,629,210)	135,997,035

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


 Susan Mochache, CBS
 Principal Secretary


 Dr. David Kariuki
 Project Coordinator


 Project Accountant
 Alice Olango
 ICPAK NUMBER: 15259

10/12/2020
 Date

10/12/2020
 Date

10/12/2020
 Date

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

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

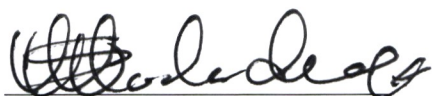
	Notes	2019/2020 Kshs	2018/2019 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.8	-	135,997,037
Receivables	8.9	2,380,000	-
TOTAL FINANCIAL ASSETS		2,380,000	135,997,037

REPRESENTED BY:

Balance b/fwd	8.10	135,997,037	365,626,247
Transfer to National Treasury	8.10	(133,617,037)	-
Surplus/deficit for the period		-	(229,629,210)
Total		2,380,000	135,997,037

Note: The Bank Balance was recalled by The National Treasury and the bank account closed

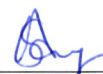
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2020 and signed by:



Susan Mochache, CBS
Principal Secretary



Dr. David Kariuki
Project Coordinator



Project Accountant

Alice Olango
ICPAK NUMBER:

15259

10/12/2020

Date

10/12/2020

Date

10/12/2020

Date

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

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

		2019/ 2020	2018/2019
	Note	KShs	KShs
Receipts for operating activities			
Transfer from Government entities	8.3	-	-
Proceeds from domestic and foreign grants			-
Miscellaneous receipts	8.5	-	-
			-
Payments for operating activities			
Compensation of employees			-
Purchase of goods and services	8.6		(52,526,646)
Transfers to other government entities	8.7		(527,102,564)
Other grants and transfers			
Increase in Receivables	8.9	(2,380,000)	
			(579,629,210)
Net cash flow from operating activities			(579,629,210)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets		-	-
Net cash flows from Investing Activities		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	8.4		350,000,000
Net cash flow from financing activities			350,000,000
Transfer to National Treasury	8,10	(133,617,037)	
NET INCREASE IN CASH AND CASH EQUIVALENT			(229,629,210)
Cash and cash equivalent at BEGINNING of the year		135,997,037	365,626,247
Cash and cash equivalent at END of the year		-	135,997,037

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 _____ 2020 and signed by:

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget a	Actual on Comparable basis b	Budget utilization variance c=a-b	% of utilization variance to final budget d=c/a %	Comments on Variance e=d-c
Receipts					
Transfer from Government entities	-	-	-	-	
Loan -Revenue - IDA	-	-	-	-	
Miscellaneous receipt	-	-	-	-	
Total Receipts	-	-	-	-	
Payments					
Purchase of goods and services	-	-	-	-	
Transfer to other Government entities	-	-	-	-	-
Total Payments	-	-	-	-	

Note: The significant budget utilization/performance differences in the last column are explained in **Annex 1** to these financial statements.

8. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

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

8.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Project. The accounting policies adopted have been consistently applied to all of the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognizes transactions and events only when cash is received or paid out by the Project.

I. Recognition of revenue and expenses

The Project recognizes all revenues from the various sources when the event occurs and the related cash has actually been received by the Project. In addition, the Project recognizes all expenses when the event occurs and the related cash has actually been paid out by the Project.

II. In-kind donations

In-kind donations are contributions 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 of in-kind donations can be reliably determined, the Project includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

III. 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 authorized public officers and/or institutions which had not been surrendered or accounted for at the end of the financial year.

IV. Pending bills

Pending bills consist of unpaid liabilities at the end of 30th June, 2020 arising from contracted goods or services during 30th June, 2020 or in past. As pending bills do not involve the payment of cash in the reporting period, they are simply disclosed as an Annex to the financial statements. 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.

V. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification 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. A high-level assessment of the Project's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

VI. 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 30th June, 2020 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.

VII. 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.

VIII. 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.

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

8.2 Receipts from Government of Kenya

These represent counterpart funding and other receipts from government as follows:

	2019/2020	2018/2019	Cumulative
	Kshs	Kshs	to-date
<i>Counterpart funding through Ministry of Health</i>			
Counterpart funds Quarter 1		-	-
Counterpart funds Quarter 2		-	-
Counterpart funds Quarter 3		-	-
Counterpart funds Quarter 4	-	-	2,002,419,177
	-	-	2,002,419,177

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

8.3 Proceeds from Domestic and Foreign Grants

During the 12 months to 30 June 2020 we received grants from donors as detailed in the table below:

Name of Donor	Date received (2019/2020)	Amount received in donor currency	Grants received in cash(2018/2019)	Grants received in cash (2018/2019)	Grants received in kind	Total amount in Kshs
Grants Received from Bilateral Donors (Foreign Governments)						
DANIDA		-			-	1,617,199,500
DANIDA						
Total						1,617,199,500

8.4 Loan from External Development Partners

During the 12 months to 30 June 2019 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date re- ceived	Amount in loan currency	Loans re- ceived in cash	Loans received as direct payment*	Total amount in Kshs		CUMULATIVE TO DATE
					FY 2019/2020	FY 2018/2019	
			Kshs	Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (Foreign Governments)							
Loans Received from Multilateral Donors (International Organizations)							
INTERNATIONAL DEVELOPMENT AGENCY		-	-	-		350,000,000	9,285,444,853
Total		-	-	-		350,000,000	9,285,444,853

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

8.5 Miscellaneous Receipts

	Receipts controlled by the entity in Cash Kshs	Receipts controlled by third parties Kshs	FY 2019/2020 Kshs	FY 2018/2019 Kshs	Cumulative to- date
Interest earned	-	-	-	-	36,706,258
Reversal	-	-	-	-	1,923,538
Error posting	-	-	-	-	350
Refund received	-	-	-	-	509,608,629
	-	-	-	-	
	-	-	-	-	548,603,390

8.6 Purchase of Goods and Services

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	2019/2020 Kshs	2018/2019 Kshs	Cumulative to-date
Utilities, supplies and services	-	-	-	-	10,159,665,920
Other operating expenses		-		52,526,646	309,632,938
		-			-
TOTAL	-	-	-	52,526,646	10,469,298,859

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

8.7 Transfers to other government entities

During the 12 months to 30 June 2020, we transferred funds to reporting government entities as shown below:

	Payments made by the Entity in Cash Kshs	Payments made by third par- ties Kshs	Financial Year 2019/2020 Kshs	Financial Year 2018/2019 Kshs	Cumulative To date Kshs
Transfers to Na- tional Govern- ment entities					
Ministry of Health - HSSF			-	-	1,098,872,338
Ministry of Health KEMSA	-			333,194,208	1,555,590,332
SWAP	-		-	120,000,000	120,000,000
IDA	-		-	73,908,356	73,908,356
TOTAL	-		-	527,102,564	2,848,371,026

	2019/2020 Kshs	2018/2019 Kshs
8.8 Bank Accounts		
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No. 1000187468]	NIL	135,997,037
Total local currency balances	NIL	135,997,037
Total bank account balances	NIL	135,997,037

8.9 Receivables	2019/2020 Kshs	2018/2019 Kshs
Receivable	2,380,000	-

8.10 Fund movement C/Fwd

	2019/2020 Kshs	2018/2019 Kshs
Fund balance b/foward	135,997,037	365,626,247

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

Transfer to National Treasury	(133,617,037)	-
Surplus/deficit for the year)	NIL	(229,629,210)
Bal c/forward	2,380,000	135,997,037

NOTE: Bank Account was closed by CBK and the amount transferred to The National Treasury

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2019 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	2019/2020	2018/2019
	KShs	KShs
(i) A/c Name [A/c No 02120134337900...]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	=	=
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	=	=

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix iv* support these closing balances.

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

9. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designa- tion</i>)	Status: (<i>Resolved / Not Re- solved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)

Susan Mochache, CBS
Principal Secretary



Dr. David Kariuki
Project Coordinator

Date



Date 10/12/20

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities				-	
LOAN- Revenue - IDA			-	-	
Miscellaneous receipts				-	
Total Receipts					
Payments					
Purchase of goods and services			-	-	
Transfers to other government entities			-		
Total payments					

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Pay-able Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
Permanent Employees - Management		a	b	c	d=a-c		
1.							
2.							
3.							
Sub-Total							
Permanent Employees - Others							
4.							
5.							
6.							
Sub-Total							
Temporary employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended 30 June, 2020

ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT
Reports and Financial Statements
For the financial year ended June 30, 2019

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2017/18 (a)	*Purchases/Additions in the Year (KShs) 2018/19 (b)	**Disposals in the Year (KShs) 2018/19 (c)	Closing Cost (KShs) 2019 (d)= (a)+ (b)-(c)
Land				
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings				
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
Total				

MINISTRY OF HEALTH

FOR THE YEAR ENDED

30 JUNE, 2020

HEALTH SECTOR SUPPORT PROJECT -

HEALTH SECTOR SERVICES FUND

(GRANT NO.4771-KE AND TF-16027)

ON

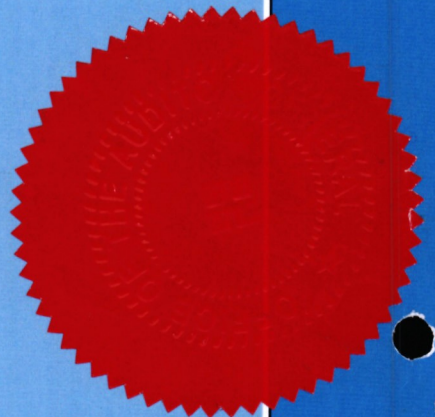
THE AUDITOR-GENERAL

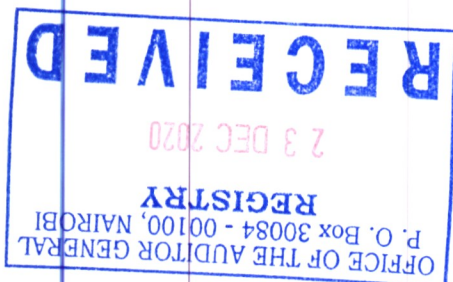
OF

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 FEB 2021	REPORT
BY: C.D.M.	TABLED
CLERK AT THE TABLE: Mainer Mang'era	

Enhancing Accountability

OFFICE OF THE AUDITOR-GENERAL





Project Name. KENYA HEALTH SECTOR SUPPORT PROJECT (HEALTH
SECTOR SERVICES FUND)

Implementing Entity: MINISTRY OF HEALTH

PROJECT GRANT/CREDIT NUMBER... 4771 & TF16027

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

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

TABLED		BY:		CLERK-AT	
DATE: 23 FEB 2021		DAY:		THE TABLE:	

CONTENTS

1.	PROJECT INFORMATION AND OVERALL PERFORMANCE	1
2.	STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	5
3.	REPORT OF THE INDEPENDENT AUDITORS ON THE -HSSF PROJECT	6
4.	STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2020	7
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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Kenya Health Sector Support Project (Health Sector Services Fund)

Objective: The key objective of the project is to improve the key delivery of health care services and empower rural communities to take charge of improving their health

Address: The project headquarters offices are Nairobi (city), Nairobi County, Kenya.
 The address of its registered office is: Ministry of Health
 P.O. Box 30016-00100 Nairobi.

The project is based at the National Level but it supports all the facilities at the Lower levels of service i.e. Level 1, 2, 3 and Sub District Hospitals.

Contacts: The following are the project contacts

Telephone: (254) -20-2717077
 E-mail: PS @health.go.ke
 Website: www.go.ke

1.2 Project Information

Project Start Date:	The project start date is 30/09/2010
Project End Date:	The project end date is 30/06/2018
Project Manager:	The project manager is Dr David G. Kariuki
Project Sponsor:	The project sponsor is -Dr. Gandham N.V. Ramana

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Health.
Project number	CR - 4771 - KE & TF -16027-KE
Strategic goals of the project	(i) To ensure an improved Health services to the Kenyan population especially the poor. (ii) To reduce Health inequality
Achievement of strategic goals	(i) The project management aims to achieve the goals through the following: By improving health services and strengthening systems.

(ii) Providing funds to NHIF to pay for the poor. The project operates within a sector wide approach. The foundation is laid down in the National Health Sector Strategic Plan 2005-2012.	Other important background information of the project	The project operates within a sector wide approach. The foundation is laid down in the National Health Sector Strategic Plan 2005-2012.
(i) To improve health services (ii) To provide funds to NHIF to pay for health services for the poor	Current situation that the project was formed to intervene	The project was formed to intervene in the following areas:
Project duration	The project started on 30 September 2010 and is expected to run until 30 June 2018.	

1.4 Bankers

The following are the bankers for the current year:

I. CENTRAL BANK OF KENYA – (PROJECT ACCOUNT)
P.O BOX 600000 – 0200
Nairobi

II. COOPERATIVE BANK – DEPOSIT ACCOUNT
Ukuliima Cooperative
P.O. Box 74956-00100
Nairobi

1.5 Auditors

The project is audited by the:
Auditor - General
P.O Box 30084 – 00100
Nairobi.

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. David G. Kariuki	Head, Directorate of Health care policy, planning and financing.	MB chB, Msc	Project oversight and overall coordination of activities of the Directorate and Project Coordinator
Alice Olango	Project Accountant	B.com, CPA(K)	Preparation of Financial reports as required from time to time e.g. Bank reconciliation, preparation of requisition, preparation of project F/S,

Note: The Project operates within the MOH structures and systems and therefore involves multiple parties beyond the names provided above.

1.0 Funding summary

The Project is for duration of 8 years from 2010 to 2018 with an approved budget of Usd 143.1 million equivalent to Kshs. 12,163 million as highlighted in the table below for the Bank. Other Partners are Danida and GOK whose contribution is given at the budgeting period.

Below is the funding summary:

Source of funds		Donor	Commitment-	Amount received to date – (30 June 2020)	Undrawn balance to date (dd mm 20xx)
		Donor	KShs	Donor	KShs
		currency	(A)	currency	(B)
			(A)		(B)
(i) Grant					
Miscellaneous receipts					
(ii) Loan					
IDA-International Development Agency.					

Source of funds		Donor Commitment-		Amount received to date – (30 June 2020)		Undrawn balance to date (dd mm 20xx)	
	Donor	Donor	Donor	Donor	Donor	Donor	Donor
	currency	KShs	currency	KShs	currency	KShs	currency
	(A)	(A)	(B)	(B)	(A)-(B)	(A)-(B)	(B)
(iii) Counterpart funds							
Government of Kenya						2,767,002,150	
Total						8,694,274,079	

1.7 Summary of Overall Project Performance:

- Budget performance against actual amounts for current year and for cumulative to-date, physical progress based on outputs, outcomes and impacts since project commencement,
- Comment on value-for-money achievements,
- Indicate the absorption rate for each year since the commencement of the project.
- List the implementation challenges and recommended way forward.

1.8 Summary of Project Compliance:

- Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- Include consequences suffered on account of non-compliance or likely to be suffered
- Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Principal Secretary* for the Ministry of Health and the *Project Coordinator* for KHSSP *project* 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 ended 30 June, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 KHSSP *project* 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 KHSSP *project* 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 ended 30 June, 2020, and of the Project's financial position as at that date. The *Principal Secretary* for Ministry of Health and the *Project Coordinator* for KHSSP & HSSP III 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 KHSSP *project* 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 KHSSP *project* on June 30 2020 and signed by them.

Susan Mochache, CBS

Principal Secretary

Date

David G. Karuki

Project Coordinator

Date

Alice Olango

Project Accountant

Date

**3. REPORT OF THE INDEPENDENT AUDITORS ON THE KENYA HEALTH
SECTOR SUPPORT PROJECT (HEALTH SECTOR SERVICES FUND)
PROJECT**

KENYA HEALTH SECTOR SUPPORT PROJECT (HEALTH SECTOR SERVICES FUND)
Reports and Financial Statements
For the year ended June 30, 2020

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 HEALTH SECTOR SUPPORT PROJECT - HEALTH SECTOR SERVICES FUND (GRANT NO.4771-KE AND TF-16027) 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 Health Sector Support Project - Health Sector Services Fund set out on pages 7 to 28, which comprise the statement of financial assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and the 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 Health Sector Support Project - Health Sector Services Fund 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 Grant Agreement No. 4771-KE and TF-16027 dated 21 January, 2014 between International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transaction and the closing balance has been reconciled with the books of account.

Basis for Qualified Opinion

Unsupported Bank Balances

As had been reported in the previous year and as disclosed in Note 8.11.B to the financial statements, the statement of financial assets and liabilities reflects bank balances of Kshs.659,122,494 as at 30 June, 2020. However, the Management did not avail supporting documents by way of bank confirmation certificates, bank reconciliation statements and cash books to account for an amount of Kshs.657,875,266 which is indicated as being held in forty-seven (47) Counties. Further, a review of the audit carried out by the Independent Integrated Fiduciary Review Agent (IIFRA) indicated that supporting documents for a total of Kshs.518,080,255 was availed resulting to

unsupported cash balance of Kshs.139,795,011 from twelve (12) Counties. However, no explanation has been given for failing to avail these documents for audit review. In addition, Management has not adjusted the balances in the books of accounts.

Consequently, the validity, completeness and accuracy of bank balances of Kshs.659,122,494 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 Health Sector Support Project - Health Sector Services Fund Management 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.

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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

In preparing the financial statements, Management is responsible for assessing the Project'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 intention to terminate the Project or cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project 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 audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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

15 December, 2020

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

KENYA HEALTH SECTOR SUPPORT PROJECT (HEALTH SECTOR SERVICES FUND)
Reports and Financial Statements
For the year ended June 30, 2020

	Note	2019/20	2018/19	Cumulative to-date
		Receipts and payments controlled by the entity	Receipts and payments controlled by the entity	Payments made by third parties
		KShs	KShs	KShs
RECEIPTS				
Transfer from Government entities	8.3	-	-	2,767,002,150
Loan from external development partners	8.4	-	-	4,468,802,793
Miscellaneous receipts	8.5	831,380	393,341	1,459,693,857
TOTAL RECEIPTS		831,380	393,341	8,695,498,800
PAYMENTS				
Compensation of employees	8.6	-	-	1,671,781,715
Purchase of goods and services	8.7	-	450	3,444,513,782
Acquisition of non-financial assets	8.8	-	-	177,520,945
Transfers to other government entities	8.9	-	363,000,000	2,734,209,510
Other grants and transfers and payments	8.10	-	8,350,655	8,350,655
TOTAL PAYMENTS		-	371,351,105	8,036,376,308
SURPLUS/(DEFICI T)		831,380	(370,957,764)	658,291,112.00

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

Susan Mochache, CBS
Principal Secretary

David G. Karuki
Project Coordinator

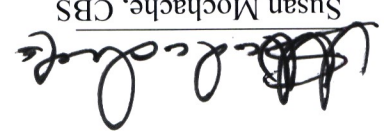
Alice Olang'o
Project Accountant
ICPAK Member No 15254

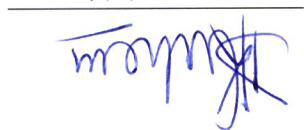
KENYA HEALTH SECTOR SUPPORT PROJECT (HEALTH SECTOR SERVICES FUND)
Reports and Financial Statements
For the year ended June 30, 2020

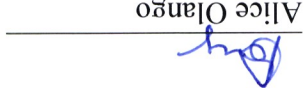
4. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2020

	2019/20	2018/19
FINANCIAL ASSETS		
Cash and Cash Equivalents		
Bank Balances	8.11	659,122,495
Total Cash and Cash Equivalents	659,122,495	658,291,115
TOTAL FINANCIAL ASSETS	659,122,495	658,291,115
REPRESENTED BY		
Fund balance b/fwd	8.12	658,291,115
Surplus/(Deficit) for the year	831,380	(370,957,764)
NET FINANCIAL POSITION	659,122,495	658,291,115

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


 Susan Mochache, CBS
 Principal Secretary
 Date


 David G. Kariuki
 Project Coordinator
 Date 10/12/20


 Alice Olango
 Project Accountant
 Date 15/12/2020
 ICPAK Member Number: 15259

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

5. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2020

		Note	KShs	KShs
			2019/20	2018/19
Receipts for operating activities				
Transfer from Government entities	8.3	-		
Proceeds from domestic and foreign grants	8.4	-		
Miscellaneous receipts	8.5	831,380	393,341	
Payments for operating activities				
Compensation of employees	8.6	-		-
Purchase of goods and services	8.7	-	450	
Transfers to other government entities	8.9		363,000,000	
Other grants and transfers	8.10		8,350,655	
Net cash flow from operating activities			831,380	(370,957,764)
CASHFLOW FROM INVESTING ACTIVITIES				
Acquisition of Assets	8.8	-		-
Net cash flows from Investing Activities			-	-
CASHFLOW FROM BORROWING ACTIVITIES				
Loan from external development partners		-		-
Proceeds from Foreign Borrowings				
Net cash flow from financing activities			-	-
NET INCREASE IN CASH AND CASH EQUIVALENT			831,380	(370,957,764)
Cash and cash equivalent at BEGINNING of the year			658,291,115	1,029,208,879
Cash and cash equivalent at END of the year			659,122,495	658,291,115

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 _____ 2020 and

signed by:

Susan Mochache, CBS
Principal Secretary

Date _____

David G. Karimki
Project Coordinator

Date _____

Date 10/12/20

Alice Olango
Project Accountant

Date _____

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KENYA HEALTH SECTOR SUPPORT PROJECT (HEALTH SECTOR SERVICES FUND)
Reports and Financial Statements
 For the year ended June 30, 2020

6. 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						
Transfer from Government entities	-	-	-	-	-	
Proceeds from domestic and foreign grants	-	-	-	-		
Proceeds from borrowings	-	-	-	-	-	
Miscellaneous receipts			-	831,380	831,380	
Total Receipts	-		-	831,380	831,380	
Payments						
Compensation of employees	-	-	-	-	-	
Purchase of goods and services	-	-	-	-	-	
Social security benefits	-	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	--	
Transfers to other government entities	-		-	-	-	
Other grants and transfers				-	-	
Total Payments	-		-	-	-	

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.

Susan Mochache, CBS
 Principal Secretary
 Date

David G. Karituki
 Project Coordinator
 Date 10/12/2020

Alice Olango
 Project Accountant
 ICPAK Member No: 15259
 10/12/2020

7. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 - 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.

8.2. 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 recognized 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 authorized 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 authorized 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) 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.

g) 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 recognized 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.

h) 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 Kshs - billion being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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.

j) Comparative figures

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

k) Subsequent events

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

l) 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 before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

8.3 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

During the year, there were no transfers funds to reporting government entities as shown below:

					* TOTAL
			-	-	Cumulative Bal B/F
					Government Entities
					Transfers From Other
	KShs	KShs	KShs	KShs	
		Total Payments	Payments made by third parties	Payments made by the Entity in Cash	
Cumulative to-date	FY 2018/19	FY 2019/20			
					Counterpart funds Q1
					Counterpart funds Q2
					Counterpart funds Q3
					Counterpart funds Q4
					* TOTAL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.4 LOANS FROM EXTERNAL DEVELOPMENT PARTNERS

During the year, there was no funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans Received as direct payments	Total Kshs.	amount in	Cumulative To Date
					FY 2019/20	FY 2018/2019	
			Kshs	Kshs	Kshs	Kshs	Kshs
INTERNATIO	-	-	-	-	-	-	4,468,802,793
NAL DEVELOPME							
NT							
Total	-	-	-	-	-	-	4,468,802,793

8.5 MISCELLANEOUS RECEIPTS

	FY 2019/20			FY 2018/19	Cumulative to-date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-	-
Voluntary transfers other than grants		-	-	-	-
Other receipts not classified elsewhere	831,380	-	831,380	393,341	1,459,693,857
	<u>831,380</u>	<u>=</u>	<u>831,380</u>	<u>393,341</u>	<u>1,459,693,857</u>

Note: These are receipts from First Community Bank which they claim to have received from the Project in 2014/15 without indicating the payees

8.6 COMPENSATION OF EMPLOYEES

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	1,671,781,715
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
Total	=	=	=	=	1,671,781,715

KENYA HEALTH SECTOR SUPPORT PROJECT (HEALTH SECTOR SERVICES FUND)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.7 PURCHASE OF GOODS AND SERVICES

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KS hs	KS hs	KShs	KShs
Utilities, supplies and services	-	-	-	-	189,910,868
Communication, supplies and services	-	-	-	-	91,891,356
Domestic travel and subsistence	-	-	-	-	881,020,127
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising and – information supplies & services	-	-	-	-	172,332,118
Rentals of produced assets	-	-	-	-	-
Training payments	-	-	-	-	48,385,456
Hospitality supplies and services	-	-	-	-	262,615,117
Insurance costs	-	-	-	-	-
Specialized materials and services	-	-	-	-	643,857,768
Other operating payments(Bank charges)	-	-	-	450	450
Routine maintenance – vehicles and other transport equipment	-	-	-	-	59,127,758
Routine Maintenance					786,430,774
Routine maintenance- other assets	-	-	-	-	308,941,990
Exchange rate losses/gains (net)	-	-	-	-	-
Total				450	3,444,513,782

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.8 ACQUISITION OF NON FINANCIAL ASSETS

	FY 2019/20				FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	KShs	KShs	KShs
Purchase of Office Furniture & General Equipment						38,734,029
Construction of Civil Works	-	-	-	-	-	78,620,559
Purchase of Specialized Plant, Equipment & Machinery	-	-	-	-	-	60,166,357
Total	=	=	=	=	=	177,520,945

8.9 TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the year, there was no transfer of funds to reporting government entities as shown below:

	FY 2019/20				FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	KShs	KShs	KShs
Transfers to National Government entities						
SWAP		-	-	13,000,000	13,000,000	13,000,000
EMMS		-	-	350,000,000	350,000,000	350,000,000
Transfers to County Government	=	=	=	=	=	=
22 Counties						489,464,997
47 Counties	-	-	-	-	-	561,334,348
MIN OF HEALTH						215,125,000
21 Counties	-	-	-	-	-	1,105,285,165
TOTAL	=	=	=	=	363,000,000	2,734,209,510.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.10 OTHER GRANTS AND TRANSFERS AND PAYMENTS

	FY 2019/20		FY 2018/19		Cumulative to-date
Payments made by the Entity in Cash	Payments made by third parties	Total Payments	KShs	KShs	KShs
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g. schools	-	-	-	-	-
Miscellaneous payments – World bank		-		8,350,655.45	8,350,655.45
Total		=		8,350,655.45	8,350,655.45

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.11A CASH AND CASH EQUIVALENTS CARRIED FORWARD

2018/19	2019/20	KShs
		KShs
		Bank accounts (Note 8.13A)
658,291,115	659,122,494	
-	-	Cash in hand (Note 8.13B)
-	-	Cash equivalents (short-term deposits) (Note 8.13C)
658,291,115	659,122,494	Total

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

8.11B Bank Accounts

Project Bank Accounts

2018/19	2019/20	KShs
		KShs
		Foreign Currency Accounts
-	-	Central Bank of Kenya [1000187131]
-	-	Kenya Commercial Bank [A/c No.....]
-	-	Co-operative Bank of Kenya [A/c No.....]
-	-	Others (specify)
		Total Foreign Currency balances
		Local Currency Accounts
415,848	1,247,228	Central Bank of Kenya [A/c No.....]
-	-	Kenya Commercial Bank [A/c No.....]
-	-	Co-operative Bank of Kenya [A/c No.....]
657,875,266	657,875,266	Others (specify) KCB, NBK, EQUITY, FIRST COMM BANK
658,291,115	659,122,494	Total local currency balances
		Total bank account balances

Note:

The amount of KShs 657,875,266 that is indicated as being in other bank accounts has already been fully spent by the counties and there are no balances in the accounts

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30 June 2020 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	2019/20	2018/19
(i) A/C Name [A/c No 02120134337800]		
Opening balance	-	12,117,332.69
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	12,117,332.69
Closing balance (as per SDA bank account reconciliation attached)	=	=
(ii) A/C Name [A/c No 02120134337800]		
Opening balance (as per the SDA reconciliation)	-	12,117,332.69
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	12,117,332.69
Closing balance (as per SDA bank account reconciliation attached)	=	=

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix xx* support these closing balances.

KENYA HEALTH SECTOR SUPPORT PROJECT (HEALTH SECTOR SERVICES FUND)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.12 FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	658,291,115	1,029,248,879
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	658,291,115	1,029,248,879

KENYA HEALTH SECTOR SUPPORT PROJECT (HEALTH SECTOR SERVICES

(FUND)

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

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	As had been reported in the previous year and as disclosed under Note 8.13.A to the financial statements, the statement of financial assets and liabilities reflects bank balances of Kshs.659,122,495. However, the Management did not avail supporting documents by way of bank confirmation certificates, bank reconciliation statements and cash books to account for an amount of Kshs.657,875,266 which is indicated as held in forty-seven (47) Counties. Further, although a review of the audit carried out by the Independent Integrated Fiduciary Review Agent (IIFRA) - Irungu and Associates indicated that supporting	It is true that included in the bank balance of Kshs 415,848 is an amount of Kshs 657,875,266 in respect of bank balances from forty-seven counties that were not supported. The matter is carried forward from 2014/15 Financial Year. Independent Integrated Fiduciary Review Agent (IIFRA)- Wachira Irungu was contracted to review the matter. The assignment was to ensure that any systematic problem is detected and handled in good time and also	Samson Ongalo – Head of Accounting Unit	Not Resolved	2020/21

**KENYA HEALTH SECTOR SUPPORT PROJECT (HEALTH SECTOR SERVICES
FUND)
Reports and Financial Statements
For the year ended June 30, 2020**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolve d / Not Resolved) (Put a date when you expect the issue to be resolved)	Timeframe:
	documents of Kshs.518,080,255 was availed resulting to unsupported cash balance of Kshs.139,795,011 from twelve (12) Counties. No explanation has been given for failing to avail these documents for audit review or why Management has not adjusted the balances in the books of accounts. Consequently, the validity, completeness and accuracy of bank balances of Kshs.659,122,495 reflected in the statement of financial assets and liabilities as at 30 June, 2019 could not be confirmed.	to account for the cash balances in question. They carried out a pre audit and confirmed that the balance of Kshs657,875,266 was supported except Kshs 126,195,648 and Kshs 13,599,363 that were not fully supported by that time. However, in their subsequent audits have managed to get supporting documents to further reduce the amounts. Various meetings held between Office of the Auditor General, World Bank and the Ministry of Health officials agreed that due to the nature of many Health Facilities under HSSF, the OAG can rely on the work			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		carried out by Wachira Irungu to support the questioned balances. Further verification from Wachira Irungu reports revealed that the balances were subsequently supported. Reports are available for verification.			

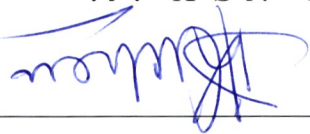
Guidance Notes:

- (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.

KENYA HEALTH SECTOR SUPPORT PROJECT (HEALTH SECTOR SERVICES

FUND)

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

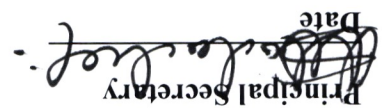


David G. Kariuki

Project Coordinator

Date

10/12/20



Susan Mochache, CBS
Principal Secretary

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Budget Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	-	-	-	-	None was received.
Proceeds from domestic and foreign grants	-	-	-	-	No funds were received during the year
Proceeds from borrowings	-	-	-	-	
Miscellaneous receipts	-	831,380	831,380	-	Funds returned by First Community Bank after project closure
Total Receipts	-	831,380	831,380	-	
Payments					
Compensation of employees	-	-	-	-	No new activities were undertaken
Purchase of goods and services	-	-	-	-	
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Total payments	-	-	-	-	

Explain all variance below 90% and above 100%

- (i)
- (ii)
- (iii)

APPENDICES

1. Bank Reconciliation
2. Certificate of Bank Balance