

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF


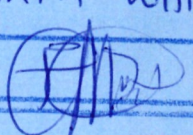
THE AUDITOR-GENERAL

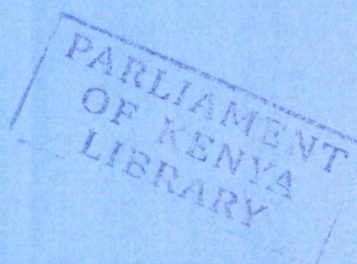
ON

THE FINANCIAL STATEMENTS OF
MINISTRY OF HEALTH

FOR THE YEAR ENDED

30 JUNE 2018

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 JUL 2019	DAY: TUESDAY
TABLED BY:	MAJORITY WHIP
CLERK-AT THE TABLE:	





MINISTRY OF HEALTH

REVISED REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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

NATIONAL GOVERNMENT ENTITY – MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of Health was formed in March 2014 by merging the former Ministry of Public Health and Sanitation and the Ministry of Medical Services. The Ministry is represented by the Cabinet Secretary for Health who is responsible for the general policy and strategic direction of the Ministry. The Ministry's mission is to build a progressive, responsive and sustainable health care system for accelerated attainment of the highest standard of health to all Kenyans.

The mandate of the Ministry is to coordinate health policy, health regulation, National Referral Health Facilities, capacity building and provide technical assistance to the Counties. The Ministry was ISO 9001:2008 certified in the period under review.

(b) Key Management

The Ministry day-to-day management is under the following key organs:

- 1) Department of Preventive and Promotive Health
- 2) Department of Curative and Rehabilitation Health Services
- 3) Department of Standards and Quality Assurance Regulations
- 4) Department of Policy, Planning and Health Financing
- 5) Department of Health Sector Coordination and Inter Governmental affairs
- 6) Department of Universal Health Care Coordination
- 7) Department of Administrative Services

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

Designation	Name
Accounting Officer	Peter K. Tum, OGW
Director of Medical Services	Dr. Jackson Kioko, MBS
Director Administration	Mr. Ibrahim A. Maalim, HSC
Chief Economist	Mr. Elkana Ong'uti
Senior Chief Finance Officer	Mr. Peter Odundo, HSC
Ag. Head of Accounting Unit	Ms Margaret Kariuki

(d) Fiduciary Oversight Arrangements

- Audit and finance committee activities

Audit committee oversees the financial or audit matters in the ministry

- Budget Execution Committee activities

The role of the Budget Execution Committee is to monitor the implementation of the budget

(e) Entity Headquarters

P.O. Box 30016-01000
Afya House Cathedral Road
Nairobi, Kenya

(f) Entity Contacts

Telephone: (254) 020-2717077
E-mail: ps@health.go.ke
Website: www.health.go.ke

(g) Entity Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000-00200
Nairobi, Kenya.

(h) Independent Auditor

Auditor -General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

II. FOREWORD BY THE CABINET SECRETARY

MINISTERIAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30th JUNE, 2018

1. Introduction

1.1. Background

Good Health is a pre-requisite for socio-economic development of the country. The health sector therefore forms a key component of the social pillar of the Vision 2030 which aims at transforming Kenya into a newly industrialized, middle income country providing a high quality of life to all its citizens in a clean and secure environment by the year 2030.

The Vision of the Ministry is “**An efficient and cost-effective medical care system for a healthy Nation**”

While the Mission is to “**promote and participate in Provision of integrated and quality curative and rehabilitative services to all Kenyans**”, with the overall goal of achieving Universal Health Coverage.

The Vision and Mission of the Ministry translates to the following strategic objectives.

- a) **Eliminate communicable conditions:** The Health sector will achieve this by reducing burden of communicable diseases, till they are not of major public health concern.
- b) **Halt, and reverse the rising burden of non-communicable conditions** by setting clear strategies for implementation to address all the identified non-communicable conditions in the country.
- c) **Reduce the burden of violence and injuries.** Through directly putting in place strategies that address each of the causes of injuries and violence at the time.
- d) **Provide essential health care** that are affordable, equitable, accessible and responsive to client needs.
- e) **Minimize exposure to health risk factors** by strengthening the health promoting interventions, which address risk factors to health, plus facilitating use of products and services that lead to healthy behaviours in the population.
- f) **Strengthen collaboration with private and other sectors that have an impact on health.** The health sector will achieve this by adopting a ‘Health in all Policies’ approach, which ensures it interacts with and influences design implementation and monitoring processes in all health-related sector actions.

There are seven Semi-Autonomous Agencies (SAGAs) under the Ministry of Health which complement it in discharging its core functions through specialized health services delivery, medical research and training; procurement and distribution of drugs; and financing through health insurance. These SAGAs are the Kenyatta National Hospital, Moi Teaching and Referral Hospital; National Aids Control Council; Kenya Medical Research Institute; Kenya Medical Training College, Kenya

Medical Supplies Authority and National Hospital Insurance Fund.

There are also eight statutory organizations mainly involved in regulation of health care services in the country, definition of professional standards; establishment of codes of conduct and licensing of facilities, training institutions and professional health workers.

1.2 Mandate

Schedule 4 of the Constitution assigns the National Government the following functions:

1. Health Policy;
2. National referral health facilities;
3. Capacity building and technical assistance to counties.

The Government has also outlined the core mandates of the Ministry of Health through Executive Order No 1 of 2018, as follows:

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Functions	Institutions
<p>Health Policy and Standards Management Registration of Doctors and Para-medics Training of Health Personnel National Medical Laboratories Services Pharmacy and Medicines Control Public Health and Sanitation Policy Management Medical Services Policy Reproductive Health Policy Preventive, Promotive and Curative Health Services National Health Referral Services Health Education Management Health Inspection and other Public Health Services Quarantine Administration Radiation Control and Protection HIV/AIDs Management Cancer Policy Nutrition Policy Immunization Policy and Management Food Safety and Inspections</p>	<p>Kenya Medical Supplies Authority (KEMSA Act 2013) KEMRI, Science Technology and Innovation 2013 Kenya Medical Training Centre (Legal Notice No.14 of 1990) National Hospital Insurance Fund (NHIF Act 1998) Kenyatta National Hospital (State Corporations Act, Cap 446, Kenyatta National Hospital Board Order, 1987) Moi Teaching & Referral Hospital (Legal Notice No.78 of 1998) National Quality Control Laboratories (Pharmacy and Poisons Act, Cap 244) Government Chemist (health act) Pharmacy and Poisons Board (Pharmacy and Poisons Act, Cap 244) Radiation Protection Board(cap 243) Referral Hospitals Authority National Aids Control Council (legal notice No.170 of 1999) Physiotherapy Council of Kenya (Physiotherapists Act, 2014) Public Health Officers and Technicians Council (Public Health Officers (Training, Registration and Licensing), Cap 2012 Clinical Officers Council (Training, Registration, and Licensing), Cap 260 Kenya Medical Laboratory Technicians and Technologists Board Nursing Council of Kenya (Nurses Act, Cap 257 Kenya Nutritionists and Dieticians Institute (Nutritionists and Dieticians Act, 2007 Health Records and Information Managers Board (Health Records and Information Management Act 2016 National Cancer Institute of Kenya (Cancer Prevention and Control Act, 2012)</p>

1.3 Priority investment areas

In order for the sector to realize the above mandate, the Ministry focused on the following priority areas for investment:

- a) Scaling up Universal Health Coverage (UHC) initiatives including free Maternity Health services, Subsidies for the poor and vulnerable groups and reducing out of pocket/catastrophic health expenditures.
- b) Improving reproductive, maternal, neonatal, child and adolescent Health (RMNCAH) through increased immunization, improved nutrition, increased access to family planning services and improved quality of health services.
- c) Installation and commissioning of specialized medical equipment in 94 hospitals (2 per county) and the four (4) national referral hospitals on a Managed Equipment Service (M.E.S) contract framework that will give emphasis to Critical and Specialized care equipment e.g. Renal, Cancer and Diagnostics.
- d) Increase access to national referral health facilities and specialised services through increased investment in Human resource for health and medical equipment.
- e) Building capacity on preventive, promotive and palliative care for Non-Communicable Diseases.
- f) Reducing morbidity and mortality from Malaria, HIV/AIDs, Tuberculosis and Non-Communicable Diseases
- g) Strengthening health research for improved quality of healthcare
- h) Increased quality of health services through availability of norms and standards, and enhanced regulations.
- i) Building capacity in human resources for health.

The above measures are meant not only to enhance the health service delivery at hospital level, but also the primary health facilities, health promotion and prevention. The Ministry is also promoting public private partnership (PPP) and other innovative financing mechanisms in order to mobilize additional financial resources and expertise for health.

1.4 Disease Burden and Achievements

Kenya has a high disease burden with communicable diseases accounting for about 68% of disease burden in the country. Diseases such as malaria, diseases of the respiratory system, diseases of the skin, diarrhea and accidents continue to be a major cause of outpatient morbidity. Emergence of drug resistant TB poses a serious threat to the health sector in general.

There are also positive gains in HIV/AIDS with the number of HIV infected persons being put on treatment increasing from 947,000 to 1,020,000. However, an increasing trend in non-communicable diseases such as cancer and diabetes as well as injuries is a major cause for concern. Other areas that have recorded major improvements include free maternal deliveries that now stand at slightly above 1 million a year and increased access to primary healthcare services as a result of the services being made free.

2. Changes in Policy/Strategy and Legal Frame Work

A number of key policy strategic documents and bills were developed during the period under review. These include: -

- i. Passing of the Sessional Paper No. 2 of 2017 of the Kenya Health Policy 2014-2030 which outlines the country's long-term aspirations in attaining the overall health goals for Kenya;
- ii. Enactment of the Health Act, 2017 to enable the realization of the rights to health as provided for the Constitution of Kenya and to provide uniformity in respect of health services across the nation – implementation of which is underway;
- iii. A draft Kenya Food and Drug Authority (KFDA) Bill, 2012 (to replace the Pharmacy & Poisons Act Cap 244) has been developed to consolidate the regulation of the trade in drugs including herbal medicines and poisons, food, chemical substances, medical devices and cosmetics; to give effect to the principles and objects of devolved government in health regulation and for connected purposes;
- iv. Development of the Reproductive, Maternal, Neonatal Child & Adolescent Health Bill; and
- v. A draft Roadmap for Universal Health Coverage development to provide a framework for implementation up to 2022.

3.0 PROGRAMME IMPLEMENTATION: 2017/ 2018

The table below shows spending for the F.Y 2017/2018 by programmes. In summary, the Ministry of Health utilized 78 percent of the allocated resources with Curative and Rehabilitative Health program utilizing the highest percentage at 97 percent. A breakdown of spending by programmes is provided in the table that follows.

Programme (s)	Original Budget (Ksh) Million	Approved Estimates (Ksh) Million	Actual Expenditure (Ksh) Million
Recurrent			
Preventive & Promotive Health Services	1,608	2,018	2,030
Curative & Rehabilitative Health (Clinical)	13,090	14,530	14,421
Health Research and Development (KMTCC & KEMRI)	4,428	5,637	5,483
General Administration & Support services	5,896	6,496	6,045

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Maternal & Child Health (Maternal, Immunization and FP Services)	1,721	5,901	1,582
Total Recurrent	26,744	34,581	29,560
Development			
Preventive & Promotive Health Services	4,030	5,244	3,824
Curative & Rehabilitative Health (Clinical)	6,242	9,107	8,417
Health Research and Development (KMTC & KEMRI)	668	473	355
General Administration & Support services	2,314	1,368	739
Maternal & Child Health (Maternal, Immunization and FP Services)	6,362	9,227	4,088
Total Development	19,616	25,420	17,422
Recurrent and Development			
Preventive & Promotive Health Services	5,638	7,262	5,854
Curative & Rehabilitative Health (Clinical)	19,333	23,636	22,838
Health Research and Development (KMTC & KEMRI)	5,096	6,110	5,837
General Administration & Support services	8,210	7,865	6,784
Maternal & Child Health (Maternal, Immunization and FP Services)	8,083	15,128	5,669
Total Recurrent and Development	46,360	60,001	46,982

(Source: MOH Appropriation Accounts 2017/18, MOH Program Performance Review (MPPR) Report 2018/19)

4.0 Key Achievements of the Ministry

1. **Child and Maternal Health:** The country has recorded major improvements in child and maternal health in recent years through interventions initiated by both Government and other partners in the sector. Infant Mortality Rate (IMR) dropped significantly from 52 to 39 per 1000 live births while Under-five mortality rate dropped from 74 to 52 per 1000. Further, Neonatal Mortality Rate

declined from 31 in 2008 to 22 per 1,000 live births. The reduction of infant and child mortality rates is attributed to intensified immunization activities including mass campaigns. Similarly, early detection and case management of Malaria as well as proper use of Mosquito nets to avert malaria incidences. Maternal mortality rate declined from 488/100,000 to 362/100,000.

2. **Reproductive and Child Health** – The sector made progress in Reproductive, Maternal, New Born, Child and Adolescent Health (RMNCAH). As a result, the proportion of Women of Reproductive Age (WRA) using contraceptives improved from 40.7% (2014/15) to 44.9% (2017/18). In addition, the fourth ante-natal clinic coverage registered improvement from 51.7% to 52.2%. This was matched by a remarkable improvement in births by skilled attendants in health facilities from 69% (2013/14) to 77.4%, largely attributed to Free Maternity Services. A total of 13 million school going children were also de-wormed across the country.
3. **Managed Equipment Services (MES)** – In 2017/2018 the Ministry had completed equipping all the 98 hospitals with modern diagnostic and management services.

This programme has enabled us to leapfrog and improve on affordable, equitable and accessible healthcare through modern diagnostic and specialized healthcare services to Kenyans. Consequently, the number of digital anaesthetic machines has increased from just 14 to 176 machines; the number of digital sterilization equipment has gone up from 9 to 104 machines; the number of ICU/HDU beds increased from 56 to 155 beds while the kidney dialysis machines in public hospitals has increased from just 44 in 4 hospitals to 294 between 2013 and 2017. The total daily dialysis capacity has henceforth increased six-fold from 88 to 548 sessions across the country.

4. **Health Workers Training** – KMTC grew existing campuses by 14 from 42 in 2013/14 to 56 in 2017/18. This growth in the establishment of new campuses increased student population from 25481 to 26000 respectively, with graduates from KMTC increasing from 6,394 in 2013 to 8,000 in 2018.
5. **Social Protection:** - In line with the Ministry's Universal Health Coverage agenda the following were implemented:

The health insurance subsidy programme for the elderly and persons with disability covering a total of 140,186 of the 160,421 households in all counties targeted

6. **Health Products and Technologies (HPT):** KEMSA's order fill rate improved through the use of the ERP and Logistics Management Information System (LMIS) from 50% in 2013/14 to 86% in 2017/18. The order turnaround time reduced from 12 days to 9 days in 2015/16.

5.0 Health Sector Delivery System

A number of measures were undertaken to strengthen health service delivery system which included:

1. Implementing the managed equipment services (MES) program in all counties to improve access to critical services.
2. Initiation of the Health ICT Programme to digitally link all the 98 hospitals to strengthen the referral system, use the limited specialized human resources and support to decision making.
3. Strengthening the referral system and communication across all levels of the healthcare delivery system from dispensaries to the national referral hospitals in order to increase access to appropriate quality hospital referral services and provide for continuity of care.
4. Other reform efforts aimed at strengthening the referral systems were;
 - i. Updated the National Referral Strategy
 - ii. Reviewed norms and standards for service delivery at public hospitals
 - iii. Revised and distributed Referral guidelines and feedback tools to public hospitals
5. Enhanced periodic supportive supervision to hospitals improved the environment and quality of services offered within the available financial resources.
6. Key Human Resources for health were provided to faith-based hospitals to complement government efforts in the provision of health care services
7. Health managers trained on health systems management and leadership.
8. Improvements in procurement and distribution of drugs

6.0 Emerging Issues Relating to the Ministry of Health

1. The increasing challenge in management and coordination of the limited supply of specialized Health care providers to cover all the counties effectively to ensure fair access to relevant health services to all.
2. Strategic interventions require more financing from current allocation as the package keep increasing
3. The Ministry is currently installing the radiotherapy equipment that produces radioactive wastes. Therefore, there is need to complete the Radiation waste management plant which has financial implication.
4. More funding is required to cater for Personnel Emoluments for Health workers interns
5. Dealing with Emergencies has been a problem because the Ministry does not have budgetary provision for it.
6. There is inadequate allocation to the TB, HIV/AIDS, Malaria and Family planning programs

7.0 Challenges

The Ministry was constrained by several factors including: -

- a) Communicable diseases still continue to pose a threat to health as it contributes largely to morbidity and mortality
- b) There is an inadequate budgetary provision for the procurement and distribution of strategic commodities of public health importance from the exchequer, of which cause lack of financial capacity to operationalize the proposed new structures at the National and County levels.
- c) Rising incidence of non-communicable diseases, e.g diabetes, cancer and heart diseases
- d) Low physical access to services particularly in arid and semi-arid areas. There also exists

- obsolete health equipment in health facilities that require replacement with modern ones
- e) Due to rebasing of the country's economy to lower middle income, donor support has drastically reduced hence need for government to increase domestic health care financing.
 - f) High cost of health care which further pushes poor households further into poverty
 - g) Little provision of training funds to develop human resources in key health specialities to meet the health sector demands in the country
 - h) Funding for health research remains donor-driven, fragmented and uncoordinated
 - i) Limited coverage of the social health insurance by the National Hospital Insurance Fund within the informal sector.
 - j) Physical access to services is a challenge particularly in arid and semi-arid districts while user fees continue to be an obstacle to poor population.
 - k) Growing threat of Multi Drug Resistant TB
 - l) High maternal mortality
 - m) High growth in population (3%), which is unlikely to slow down in the near future. Will continue to strain existing resources.

Conclusion

Kenya has made significant progress in achieving the MDG health targets however, more still needs to be done. In order to sustain the achievements and meet the targets presented through the Sustainable Development Goals, funding of the sector will need to be scaled up. Increasing investments in health systems is particularly critical to support improvements in service delivery.

Finally, I wish to acknowledge the support of the National Treasury for providing funds for Recurrent and Development Expenditure, the Development Partners for supporting the infrastructural projects and other stakeholders in the health sector for their participation in the development of key ministry policy documents.

Sicily K. Kariuki (Mrs.), EGH
CABINET SECRETARY

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

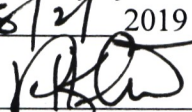
The Accounting Officer in charge of the *Ministry of Health* is responsible for the preparation and presentation of the Ministry of Health financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Ministry of Health accepts responsibility for the Ministry of Health 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 (IPSAS). The Accounting Officer is of the opinion that the *Ministry of Health* financial statements give a true and fair view of the state of Ministry of Health transactions during the financial year ended June 30, 2018, and of the Ministry of Health financial position as at that date. The Accounting Officer charge of the *Ministry of Health* further confirms the completeness of the accounting records maintained for the *Ministry of Health*, which have been relied upon in the preparation of the Ministry of Health financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the *Ministry of Health* confirms that the Ministry has complied fully with applicable Government Regulations and the terms of external financing covenants, and that the Ministry of Health funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Ministry of Health financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The *Ministry of Health* financial statements were approved and signed by the Accounting Officer on

18/21 2019


Principal Secretary
Name: Peter Tum



Assistant Accountant General
Name: Margaret Kariuki
ICPAK Member Number:4291

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE MINISTRY OF HEALTH FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Ministry of Health set out on pages 14 to 61, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined 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 Ministry of Health as at 30 June 2018, 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of cash flows and note 15B to the financial statements reflects adjustments during the year of Kshs.77,047,705 and whose analysis was not availed for audit verification. In the circumstances, the accuracy of the financial statements for the year ended 30 June 2018 could not be confirmed.

2. Un-Surrendered Old Deposits Balances from former Ministries

As previously reported, included in the statement of assets and liabilities as at 30 June 2018 is cash and cash equivalent balance of Kshs.52,707,139. Further information revealed that deposits totalling Kshs.10,956,114,687 that were held in former Ministries of Medical Services and Ministry of Public Health and Sanitation which merged to form Ministry of Health were never transferred to the new deposit account contrary to Treasury Circular No.AG/CONF.17/01/65 of September 2013 which required deposits in former Ministries to be analyzed and transferred to new account.

The management is in breach of Treasury Circular No.AG/CONF/17/01/65 of 2013 for failing to transfer the deposits of Kshs.10,956,114,687 to the new deposit account and as a result,

Report of the Auditor-General on the Financial Statements of Ministry of Health for the year ended 30 June 2018

the validity and accuracy of the accounts deposits balance of Kshs.52,085,926 as at 30 June 2018 could not be ascertained.

2. Cash and Cash Equivalent

The statement of assets and liabilities as at 30 June 2018 reflects bank balance of Kshs.52,707,139. Scrutiny of the cash books indicated that the closing figure for the development cashbook as at 30 June 2017 was Kshs.1,364,997. In addition, out of the closing balance of Kshs.1,364,997 available for recall by the Central Bank, only Kshs.75,835.90 was recalled leaving a balance of Kshs.1,289,161.35 un-accounted for in the cashbook. Further, review of the recurrent account reconciliation statement reflects receipts in bank statement not in cashbook of Kshs.95,345 and receipts in cashbook not in bank statement of Kshs.6,066,022 whose clearance status as at 31 January 2019 was not provided for audit verification.

Consequently, the accuracy and validity of bank balance of Kshs.52,707,139 in the statement of financial assets and liabilities as at 30 June 2018 could not be confirmed.

3. Accounts Receivable-Outstanding Imprest and Advances

The statement of financial assets and liabilities as at 30 June 2018 reflects outstanding imprest and advances totalling Kshs.28,693,994. Included in the imprest balance Kshs.28,388,120 is an amount of Kshs.10,945,734 which ought to have been accounted for on or before 30 June 2018 but was still outstanding as at 31 January 2019. This is contrary to Section 93 (5) of the Public Finance Management Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Section 93 (6) further provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.

In the circumstance, the Ministry is in breach of the law and therefore, recoverability of the accounts receivable balance of Kshs.28,693,994 and the propriety of the same as at 30 June 2018 could not be ascertained.

4. Accounts Payables-Deposits

The statement of financial assets and liabilities as at 30 June 2018 reflects accounts payable balance of Kshs.52,085,926. Included in this balance is an amount of Kshs.3,141,159 made up of fines and surcharges, salary recoveries and imprest recoveries from the payroll which were wrongly classified as payables.

In the circumstances, the accuracy of accounts payables balance of Kshs.52,085,926 as at 30 June 2018 could not be confirmed.

5. Compensation of Employees

The statement of receipts and payments for the year ended 30 June 2018 reflects compensation of employees amount of Kshs.6,793,884,157. Included in this figure is an expenditure amounting to Kshs.4,246,449 whose payment vouchers and other related supporting documents were not availed for audit review. In the circumstance, the propriety

of the expenditure of Kshs.4,246,449 could not be confirmed for the year ended 30 June 2018.

6. Use of Goods and Services

6.1 Specialized Materials and Services

The statement of receipts and payments for the year ended 30 June 2018 under note 7 includes expenditure on specialized materials and services of Kshs.979,340,730 out of which payment vouchers and other related supporting documents amounting to Kshs.46,137,718.70 were not availed for audit review. Consequently it has not been possible to confirm the propriety of expenditure of Kshs.46,137,718.70 for the year ended 30 June 2018.

6.2 Rental of Produced Assets

The statement of receipts and payments for the year ended 30 June 2018 under note 7 includes expenditure on rental of produced assets of Kshs.5,200,995,733 out of which payment vouchers and other related supporting documents amounting to Kshs.2,149,755 were not availed for audit review.

Consequently, the propriety of expenditure totalling Kshs.2,149,755 could not be confirmed for the year ended 30 June 2018.

7. Transfer to Other Government Units

Note 8 to the financial statements reflects expenditure on transfer to other government units of Kshs.36,004,834,419 out of which payment vouchers and other related supporting records amounting to Kshs.9,994,101 were not availed for audit review. In addition, included in other transfers figure of Kshs.63,911,988.00 is an amount of Kshs.4,855,887 being refund of ineligible expenditure to Global Fund National Tuberculosis Lung Disease (NTLD) project as a result of imprest issued for activities outside the project's work plan in 2007. No reason was provided for non-recovery of this long outstanding amount from the officers concerned. Consequently, the propriety of expenditure totalling Kshs.14,849,988 could not be confirmed for the year ended 30 June 2018.

8. Other Grants and Transfers

8.1 Membership Dues and Subscriptions

Note 9 to the financial statements reflects membership dues and subscriptions to international organizations of Kshs.51,881,817 out of which payment vouchers and other related supporting records amounting to Kshs.2,206,076 were not availed for audit review. Consequently, the propriety of expenditure totalling Kshs.2,206,076 included in membership dues and subscriptions to international organizations could not be confirmed for the year ended 30 June 2018.

8.2 Emergence Relief and Refugee Assistance

Note 9 to the financial statements include expenditure on emergency relief and refugee assistance of Kshs.364,502,952 out of which payment vouchers and other related supporting documents amounting to Kshs.46,067,114 were not availed for audit review. In addition, expenditure totalling Kshs.14,021,158 was wrongly classified under this item as the same ought to have been classified under use of goods and services.

Consequently, the propriety of expenditure totalling Kshs.60,088,272 charged to emergency relief and refugees assistance could not be confirmed for the year ended 30 June 2018.

9. Acquisition of Assets

The statement of receipts and payments for the year ended 30 June 2018 includes expenditure on acquisition of assets of Kshs.2,392,695,718 out of which payment vouchers and other related supporting documents amounting to Kshs.82,592,762 were not availed for audit review. In addition, the Ministry incurred expenditure amounting to Kshs.5,703,714 made up of stationery items-Kshs.611,258, printing and supply of promotional materials-Kshs.3,394,500, household goods-Kshs.111,856 and surgical gloves and other specialized materials-Kshs.1,586,100 which were wrongly charged to acquisition of assets instead of use of goods and services. No explanations or reasons were availed for the misclassification. Consequently it has not been possible to ascertain the propriety of Kshs.88,296,476 included in acquisition of assets for the year ended 30 June 2018.

10. Pending Bills

As disclosed at note 18.1, pending bills totalling to Kshs.4,434,472,786 were not settled during the year 2017/2018 but were instead carried forward to 2018/2019. Had the bills been paid and the expenditure charged to the account for 2017/2018, the statement of receipts and payments for the year would have reflected a deficit of Kshs.4,403,334,857 instead of a surplus of Kshs.31,137,929.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Ministry of Health in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion Section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Budgetary Performance

During the year under review, the Ministry's actual receipts amounted to Kshs.52,483,141,437 against budgeted receipts of Kshs.78,391,624,264 resulting in a shortfall of Kshs.25,908,482,827 which translate to 67% efficiency. Further, the Ministry's actual expenditure for the year amounted to Kshs.52,452,003,508 against budgeted expenditure of Kshs.78,391,624,264 resulting in an overall under absorption of Kshs.25,939,620,757 or 67% efficiency. Consequently, there is need therefore for the Ministry to review its budget making process with a view to ensuring that resources are

channeled to areas where they are needed most for efficient and effective delivery of goods and services.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Computed Tomography (CT) Scanners

The statement of receipts and payments for the year ended 30 June 2018 includes expenditure on acquisition of assets of Kshs.2,392,695,718. Included in this amount is Kshs.1,740,000,000 under specialized plant equipment and machinery paid for CT Scanners. This was 20% of the contract value which was paid as a condition precedent for Government of Kenya to obtain a loan of Kshs.7,000,000,000 from Government of China to finance the purchase of the CT scanners. The scanners were procured through Neusoft Medical Systems Co. Ltd. However, no procurement documents for Neusoft Medical Systems had been provided at the time of conclusion of the audit review. Information available indicate that Neusoft Medical Systems was proposed by the Government of the Peoples Republic of China as a leading manufacturer of CT scans. Consequently, it was not possible to ascertain whether due diligence and fidelity to the Public Procurement and Assets Disposal Act, 2015 was observed and in particular Section 85 which require tenders to be evaluated by the evaluation committee of the procuring entity for the purpose of making recommendations to the accounting officer through the head of procurement to inform the decision of the award of the contract to the successful tenderers.

2. Proposed Upgrading of Othaya District Hospital

As previously reported, the Ministry awarded a contract for the upgrading of facilities at Othaya District Hospital to Contractors at a price of Kshs.436,300,798.80 which was later revised to Kshs.501,745,918.50. The initial completion period was 85 weeks but was extended to 123 weeks with new completion date being 25 October 2012. A status report dated 21 February 2014 indicates cumulative payments of Kshs.501,745,917.70 representing 99.9% of the revised contract sum of Kshs.501,574,917.70. At the time, 192 weeks had elapsed out of contract period of 123 weeks.

Despite this apparent overpayment, the following works were outstanding:

- (a) Floor tilling and grouting
- (b) Wall tilling
- (c) Window glazing
- (d) Window stays and fasteners
- (e) Ceiling

- (f) Fixing of door leaves, locks, and glazing
- (g) Internal and external painting
- (h) Ramp and staircase finishes
- (i) Worktop and counter finishes
- (j) Road drainage
- (k) Medical gas installation

An inspection of the project carried out on November 2015 revealed that the contractor and subcontractors were not on site. Although it indicated that the project had been terminated on a mutual agreement, no documentary evidence was made available for audit verification. Further, no evidence was provided that the performance guarantee had been recalled and discharged against uncompleted works. Further information shows that the directorate gave an estimate for completion of outstanding works as Kshs.272,500,000. Though the Ministry put a request to National Treasury for funding, Treasury responded by advising that health was a devolved function and therefore Nyeri County should take over. Further information also reveal that another company was given a new contract to complete the remaining works at a contract sum of Kshs.141,959,487. The total expenditure for the construction of the hospital had accumulated to Kshs.578,542,747 by 30 June 2016.

In addition, the ministry reported an expenditure of Kshs.145,154,150 during the year 2016/2017 for construction of Othaya District hospital which accumulated to Kshs.723,696,897 by 30 June 2017 and which when compared against the initial contract value of Kshs.436,300,798 gives rise to a variation of Kshs.287,396,099 which is about 66%. The project progress reports availed have not addressed the variation, completion and handing over of the facility. However, an update report in the month of February 2019 indicate that the hospital is not yet operational and the Ministry has been making arrangements to operationalize the new hospital as a National Government facility. This was after the County Government of Nyeri cited budgetary challenges and requested the Ministry to take over the hospital.

Consequently, it has not been possible to ascertain whether the Government obtained value for money for the expenditure of Kshs.723,696,897.

3. Long Outstanding County Debts

As previously reported, during 2013-2014 financial year, the ministry paid on behalf of county government salaries totalling Kshs.19,208,279,767 which were to be recovered in the same financial year. Documents and information available indicate that the ministry only recovered Kshs.14,837,973,349 during 2013-2014 financial year leaving a balance of Kshs.4,370,306,417 which has remained outstanding to date and which has not been disclosed in the financial statements for the year ended 30 June 2018 as detailed below:

No	County	Total per County Kshs	Payment by the County Kshs	Unpaid Balance as at 30 June 2017 Kshs
1	Baringo	436,539,829.10	203,160,522.20	33,379,306.90
2	Bomet	149,939,229.60	109,228,726.00	40,710,503.60
3	Bungoma	542,025,991.90	169,903,393.00	372,122,598.90
4	Busia	345,973,625.30	70,000,000.00	275,973,625.30
5	Embu	524,931,828.35	-	524,931,828.35
6	Garissa	292,081,393.65	62,762,901.00	229,318,492.65
7	Homa Bay	394,803,166.65	129,949,868.00	264,853,298.65
8	Isiolo	194,420,151.70	113,038,625.00	81,381,526.70
9	Kajiado	294,670,326.80	130,287,385.60	164,382,941.20
10	Kakamega	713,869,101.55	337,034,472.00	376,834,629.55
11	Keiyo Marakwet	324,977,919.40	295,200,241.85	29,777,677.55
12	Kericho	422,131,230.95	251,000,000.00	171,131,230.95
13	Kiambu	1,089,527,249.25	784,583,345.55	304,943,903.70
14	Kilifi	397,785,611.10	239,951,406.50	157,834,204.60
15	Kirinyaga	334,363,914.90	-	334,363,914.90
16	Kisii	582,690,519.80	366,131,142.30	216,559,377.50
17	Kisumu	709,470,408.35	357,612,798.00	351,857,619.35
18	Kitui	391,677,717.55	391,677,717.55	-
19	Kwale	231,334,998.40	231,334,998.40	-
20	Laikipia	266,319,861.50	-	266,319,861.50
21	Lamu	113,266,122.30	52,101,739.85	61,164,382.45
22	Machakos	591,362,875.90	169,654,816.00	421,708,059.90
23	Makueni	406,610,823.65	145,828,399.40	260,782,424.25
24	Mandera	90,891,533.85	90,891,534.30	(0.45)
25	Marsabit	183,407,716.40	141,430,190.70	41,977,525.70
26	Meru	576,851,358.20	576,851,358.20	-

No	County	Total per County Kshs	Payment by the County Kshs	Unpaid Balance as at 30 June 2017 Kshs
27	Migori	276,885,532.30	110,382,633.00	166,502,899.30
28	Mombasa	682,711,688.50	-	682,711,688.50
29	Muranga	436,763,132.55	150,000,000.00	286,763,132.55
30	Nairobi County	1,650,432,382.40	200,000,000.00	1,450,432,382.40
31	Nakuru	1,120,516,449.95	240,000,000.00	880,516,449.95
32	Nandi	316,123,713.30	-	316,123,713.30
33	Narok	272,498,842.10	125,275,446.35	147,223,395.75
34	Nyamira	211,470,903.45	96,202,703.00	115,268,200.45
35	Nyandarua	374,637,572.10	118,933,341.00	255,704,231.10
36	Nyeri	744,981,628.25	-	744,981,628.25
37	Samburu	137,563,770.75	137,563,773.20	(2.45)
38	Siaya	271,951,370.10	-	271,951,370.10
39	Taita Taveta	233,302,146.50	184,390,145.75	48,912,000.75
40	Tana River	121,374,420.60	56,306,932.00	65,067,488.60
41	Tharaka	270,821,606.00	-	270,821,606.00
42	Trans Nzoia	371,743,295.85	331,620,768.10	40,122,527.75
43	Turkana	155,882,042.75	87,372,822.00	68,509,220.75
44	Uasin Gishu	410,059,769.25	188,495,201.60	221,564,567.65
45	Vihiga	209,312,955.10	93,376,410.75	115,936,544.35
46	Wajir	126,188,330.75	126,188,330.75	-
47	West Pokot	211,133,707.20	172,249,260.40	38,884,446.80
	Total For County's	19,208,279,765.85	7,837,973,349.30	11,370,306,416.55
	Recoveries from The National Treasury		7,000,000,000.00	7,000,000,000.00
	Total	19,208,279,765.85	14,837,973,349.30	4,370,306,416.55

The ministry has not explained why the amount has remained outstanding and why it has not been disclosed in these financial statements.

4. Irregular Payment on Portable Clinics

As previously reported, the Ministerial Tender Committee awarded the contract for Supply of Portable Medical Clinics to an Investments company vide Ministerial Tender Committee minutes No.MOH/MTC/.37/2014-2015 held on 29 June, 2015 to supply one hundred (100) portable medical clinics at Kshs.10,000,000 each totalling to Kshs.1 billion. On 17 July 2015, the contract to Supply, Install, Commission and Hand over was signed between the Investment company and the Ministry. The contract period was to be from the date of signing of the contract to the end of financial year 2015-2016 and has since elapsed despite the fact that the contract has not been executed. During the 2015-2016 financial year, the Ministry paid Kshs.800,000,000 for portable clinics but before installing, commissioning and handing over thus contravening the contractual agreement. Further, information availed by management indicate that the containers were stored in government premises in Mombasa despite the fact that ownership has not passed to the Government.

Consequently, it has not been possible to determine whether the Government obtained value for money for the expenditure of Kshs.800,000,000.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain assurance 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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

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

Basis for conclusion

1. Lack of an Audit Committee

In 2017/2018 financial year, the Ministry did not have an independent audit committee as required by Section 73 (5) of the Public Finance Management Act 2012 which state that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. In the absence of a functioning audit committee, monitoring and review of the effectiveness of the internal audit process, review of internal controls, risk management systems and financial statements among other functions of an audit committee did not take place which may have affected good corporate governance at the Ministry.

2. Lack of well Documented Enterprise Wide Risk Management Process and IT Strategic Committee

During the year under review, the Ministry did not have a well-documented enterprise wide risk management process and policies in place to effectively guide the enterprises risk management processes at large. This is contrary to the Public Finance Management regulations 2015, Section 165 which states that the Accounting Officer shall ensure that the national government entity develops— (a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations. Treasury circular No. 03/2009; Ref: MOF/IAG/033(75) requires that government entities/agencies should among other things develop and establish Risk Management Policy and Framework (IRMPF) so as to guide its strategic and operational activities. The Ministry also did not have an IT strategic committee, an IT strategic plan that supports business requirements and ensures that IT spending remains within the approved IT strategic plan, formally approved IT security policy to ensure data confidentiality, integrity and availability, formal, documented and tested emergency procedures, copies of the IT continuity plan and disaster recovery plan kept off-site and no backups stored in a secure off site location.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 Ministry's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Ministry's or to cease operations, or have no realistic alternative but to do so.

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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance 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 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.

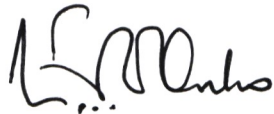
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL


Nairobi

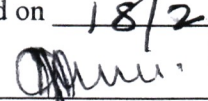
18 March 2019

V. STATEMENT OF RECEIPTS AND PAYMENTS

RECEIPTS			
Proceeds from Domestic and Foreign Grants	1		91,317,840
Transfers from National Treasury	2	51,370,008,738	56,452,317,388
Proceeds from Foreign Borrowings	3	1,098,970,428	201,024,306
Proceeds from Sale of Assets	4	12,956,270	8,573,096
Other Receipts	5	1,206,000	-
TOTAL REVENUES		52,483,141,436	56,753,232,630
PAYMENTS			
Compensation of Employees	6	6,793,884,157	5,221,516,247
Use of goods and services	7	6,779,704,000	11,773,984,722
Transfers to Other Government Units	8	36,004,834,419	38,994,337,860
Other grants and transfers	9	405,885,213	228,139,231
Social Security Benefits	10	75,000,000	100,000,000
Acquisition of Assets	11	2,392,695,718	365,431,957
TOTAL PAYMENTS		52,452,003,507	56,683,410,017
SURPLUS/DEFICIT		31,137,929	69,822,613

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 18/2/2019 and signed by:


 Principal Secretary
 Name: Peter Tum

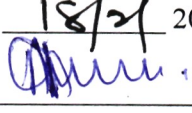

 Assistant Accountant General
 Name: Margaret Kariuki
 ICPAK Member Number: 4291

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2017/2018 Kshs	2016/2017 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	12A	52,707,139	101,185,294
Cash Balances	12B	2,247,329	1,951,412
Total Cash And Cash Equivalents		54,954,468	103,136,706
Accounts Receivables - Outstanding Imprest and Clearance Accounts	13	28,693,994	11,406,952
TOTAL FINANCIAL ASSETS		83,648,462	114,543,658
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	14	52,085,926	37,071,346
NET FINANCIAL ASSETS		31,562,536	77,472,312
REPRESENTED BY			
Fund balance b/fwd	15B	424,607	7,649,699
Surplus/Defict for the year		31,137,929	69,822,613
NET FINANCIAL POSSITION		31,562,536	77,472,312

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 18/2 2019 and signed by:


Principal Secretary
Name: Peter Tum

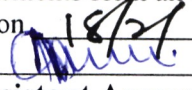

Assistant Accountant General
Name: Margaret Kariuki
ICPAK Member Number: 4291

VII. STATEMENT OF CASH FLOWS

	Note	2017/2018 KSh	2016/2017 KSh
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	-	91,317,840
Transfers from National Treasury	2	51,370,008,738	56,452,317,388
Other Revenues	5	1,206,000	-
		51,371,214,738	56,543,635,228
Payments for operating expenses			
Compensation of Employees	6	6,793,884,157	5,221,516,247
Use of goods and services	7	6,779,704,000	11,773,984,722
Transfers to Other Government Units	8	36,004,834,419	38,994,337,860
Other grants and transfers	9	405,885,213	228,139,231
Social Security Benefits	10	75,000,000	100,000,000
		50,059,307,788	56,317,978,060
Adjusted for:			
Changes in receivables		(17,287,042)	(3,757,253)
Changes in payables		15,014,580	29,369,531
Adjustments during the year	16	(77,047,705)	(72,315,432)
Net cashflow from operating activities		1,232,586,783	178,954,014
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	4	12,956,270	8,573,096
Acquisition of Assets	11	(2,392,695,718)	(365,431,957)
Net cash flows from Investing Activities		(2,379,739,448)	(356,858,861)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3	1,098,970,428	201,024,306
Net cash flow from financing activities		1,098,970,428	201,024,306
NET INCREASE IN CASH AND CASH EQUIVALENT		(48,182,238)	23,119,459
Cash and cash equivalent at BEGINNING of the year		103,136,706	80,017,247
Cash and cash equivalent at END of the year		54,954,468	103,136,706

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 18/07 2019 and signed by:


Principal Secretary
Name: Peter Tum


Assistant Accountant General
Name: Margaret Kariuki
ICPAK Member Number: 4291

NATIONAL GOVERNMENT ENTITY – MINISTRY OF HEALTH
 Reports and Financial Statements
 For the year ended June 30, 2018

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	2,893,910,948	(2,520,832,452)	373,078,496	-	373,078,496	0%
Exchequer releases	54,197,741,189	5,803,261,945	60,001,003,134	51,370,008,738	8,690,994,396	86%
Proceeds from Foreign Borrowings	2,787,200,002	801,296,152	3,588,496,154	1,098,970,429	2,489,525,725	31%
Proceeds from Sale of Assets	1,454,588,239	7,930,600,057	9,385,188,296	12,956,270	9,372,232,026	0%
Other Receipts	534,350,000	4,509,508,184	5,043,858,184	1,206,000	5,042,652,184	0%
Total Receipts	61,867,790,378	16,523,833,886	78,391,624,264	52,483,141,437	25,908,482,827	67%
Payments						
Compensation of Employees	3,710,182,960	3,279,520,654	6,989,703,614	6,793,884,156	195,819,458	97%
Use of goods and services	9,234,198,355	634,221,775	9,868,420,130	6,779,704,000	3,088,716,130	69%
Transfers to Other Government Units	19,267,615,085	38,688,399,815	57,956,014,900	36,004,834,419	21,961,680,037	62%
Other grants and transfers	192,628,058	398,762,507	591,390,565	405,885,213	175,005,795	70%
Social Security Benefits	50,000,000	50,000,000	100,000,000	75,000,000	25,000,000	75%
Acquisition of Assets	1,016,669,079	1,869,425,976	2,886,095,055	2,392,695,718	493,399,337	83%
Grand Total	33,471,293,537	44,920,330,727	78,391,624,264	52,452,003,507	25,939,620,757	67%
Surplus/Deficit	28,396,496,841	(28,396,496,841)	-	31,137,930	(31,137,930)	

The entity financial statements were approved on 18/2/2019 and signed by:



Assistant Accountant General
 Name: Margaret Kariuki
 ICPAK Member Number: 4291



Principal Secretary
 Name: Peter Tum

MINISTRY OF HEALTH

Reports and Financial Statements
For the year ended June 30, 2018

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Action Comparable Basis	Budget Allocation Difference	
RECEIPTS			0			
Exchequer releases	34,581,299,770	-	34,581,299,770	34,566,361,856	14,937,914	100%
Proceeds from Sale of Assets	1,454,588,239	7,930,600,057	9,385,188,296	12,956,270	9,372,232,026	0%
Other Receipts	534,350,000	4,509,508,184	5,043,858,184	1,206,000	5,042,652,184	0%
Total Receipts	36,570,238,009	12,440,108,241	49,010,346,250	34,580,524,126	14,429,822,124	71%
PAYMENTS						
Compensation of Employees	3,710,182,960	3,279,520,654	6,989,703,614	6,793,884,156	195,819,458	97%
Use of goods and services	563,548,159	1,195,124,830	1,758,672,989	982,508,790	776,164,199	56%
Transfers to Other Government Units	10,835,774,645	28,637,744,647	39,473,519,292	24,468,319,169	15,005,200,123	62%
Other grants and transfers	192,628,058	398,762,507	591,390,565	405,885,214	185,505,351	69%
Social Security Benefits	50,000,000	50,000,000	100,000,000	75,000,000	25,000,000	75%
Acquisition of Assets	42,709,079	54,350,711	97,059,790	32,130,755	64,929,035	33%
Grand Total	15,394,842,901	33,615,503,349	49,010,346,250	32,757,728,084	16,252,618,166	67%
Surplus/Deficit	21,175,395,108	(21,175,395,108)	0	1,822,796,042	(1,822,796,042)	



Principal Secretary
Name: Peter Tum



Assistant Accountant General
Name: Margaret Kariuki
ICPAK Member Number: 4291

**Reports and Financial Statements
For the year ended June 30, 2018**

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% Utilisation
RECEIPTS						
Proceeds from Domestic and Foreign Grants	2,893,910,948	(2,520,832,452)	373,078,496	-	373,078,496	0%
Exchequer releases	19,616,441,419	5,803,261,945	25,419,703,364	16,803,646,882	8,616,056,482	66%
Proceeds from Foreign Borrowings	2,787,200,002	801,296,152	3,588,496,154	1,098,970,429	2,489,525,725	31%
Total Receipts	25,297,552,369	4,083,725,645	29,381,278,014	17,902,617,311	11,478,660,703	61%
Payments						
Use of goods and services	8,670,650,196	(560,903,055)	8,109,747,141	5,797,195,210	2,312,551,931	71%
Transfers to Other Government Units	8,431,840,440	10,050,655,169	18,482,495,608	11,536,515,250	6,945,980,358	62%
Acquisition of Assets	973,960,000	1,815,075,265	2,789,035,265	2,360,564,963	428,470,302	85%
Grand Total	18,076,450,636	11,304,827,379	29,381,278,014	19,694,275,423	9,687,002,591	67%
Surplus/Deficit	7,221,101,734	(7,221,101,734)	-	(1,791,658,112)	1,791,658,112	

The entity financial statements were approved on 18/2/2019 and signed by:



Principal Secretary
Name: Peter Tum



Senior Assistant Accountant General
Name: Margaret Kariuki
ICPAK Member Number: 4291

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

401000000	Preventive & Promotive Health Services	7,667,273,542.00	-	7,667,273,542.00	5,043,042,488.25	2,624,231,053.75
401010000	Communicable Disease Control	-	-	-	-443,800.00	443,800.00
401020000	Health Promotion	235,672,890.00	-	235,672,890.00	107,561,920.20	128,110,969.80
401030000	Non-communicable Disease Prevention & Control	897,180,370.00	-	897,180,370.00	654,046,045.70	243,134,324.30
401040000	Government Chemist	157,592,813.00	-	157,592,813.00	109,944,838.05	47,647,974.95
401050000	Radiation Protection	5,505,290,823.00	-	5,505,290,823.00	4,154,524,219.25	1,350,766,603.75
401060000		-	-	-	-	-
401090000		871,536,646.00	-	871,536,646.00	17,409,265.05	854,127,380.95
402000000	Curative Health Services	35,934,583,796.00	-	35,934,583,796.00	22,180,348,061.05	13,754,235,734.95
402010000	National Referral Services	23,970,670,277.00	-	23,970,670,277.00	13,924,597,124.30	10,046,073,152.70
402020000	Mental Health	-	-	-	-	-
402030000	Specialized services (Spinal Injury)	-	-	-	-	-
402040000	Forensic and Diagnostics	1,761,422,004.00	-	1,761,422,004.00	1,003,502,367.05	757,919,636.95
402050000	Free Primary Healthcare	6,844,686.00	-	6,844,686.00	4,031,944.50	2,812,741.50
402060000		7,891,968,645.00	-	7,891,968,645.00	6,864,696,625.20	1,027,272,019.80
402090000		2,303,678,184.00	-	2,303,678,184.00	383,520,000.00	1,920,158,184.00
403000000	Health Research and Development	9,233,245,284.00	-	9,233,245,284.00	5,837,435,031.05	3,395,810,252.95
403010000	Capacity Building & Training	6,802,993,774.00	-	6,802,993,774.00	3,701,137,813.55	3,101,855,960.45
403020000	Research & Innovations	2,430,251,510.00	-	2,430,251,510.00	2,136,297,217.50	293,954,292.50
404000000	General Administration, Planning & Support Services	8,014,747,461.00	-	8,014,747,461.00	7,054,528,169.55	960,219,291.45
404010000	Health Policy, Planning & Financing	2,622,341,725.00	-	2,622,341,725.00	1,814,227,098.50	808,114,626.50

**Reports and Financial Statements
For the year ended June 30, 2018**

Program	Description	Original Budget	Adjustments	Approved Budget	Actual Payments	Variance
404020000	Health Standards, Quality Assurance & Standards	173,528,858.00	-	173,528,858.00	168,020,433.65	5,508,424.35
404030000	National Quality Control Laboratories	96,615,528.00	-	96,615,528.00	95,697,528.00	918,000.00
404040000	Human Resource Management	5,122,261,350.00	-	5,122,261,350.00	4,976,583,109.40	145,678,240.60
405000000	Maternal and Child Health	17,541,774,181.00	-	17,541,774,181.00	12,316,874,927.30	5,224,899,253.70
405010000	Family planning services	-	-	0	1,699,960.00	(1,699,960.00)
405020000	Maternity	-	-	0	0	-
405030000	Immunization	-	-	0	152,700.00	(152,700.00)
405040000		11,263,259,871.00	-	11,263,259,871.00	6,598,985,610.20	4,664,274,260.80
405050000		886,250,726.00	-	886,250,726.00	385,374,353.40	500,876,372.60
405070000		5,392,263,584.00	-	5,392,263,584.00	5,330,662,303.70	61,601,280.30
	Grand Total	78,391,624,264.00	-	78,391,624,264.00	53,115,422,885.55	25,276,201,378.45



**Principal Secretary
Name: Peter Tum**

18/7/18



**Assistant Accountant General
Name: Margaret Kariuki
ICPAK Member Number: 4291**

XII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (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.

2. Reporting Entity

The financial statements are for the *Ministry of Health*. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

Transfers to SAGAs and SCs	22,341,283,621
Transfers to County Governments	5,099,999,997
Transfers to Projects-GoK counterpart funding	8,056,026,505
Other Transfers	497,024,740
Total	36,004,834,419

3. Reporting Currency

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

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

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

- **Tax Receipts**

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

SIGNIFICANT ACCOUNTING POLICIES

- **Transfers from the Exchequer**

Transfers from the exchequer are 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.

Grants and loans 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/loan 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. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2018 , there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **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 Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

- **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 paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

- **Interest on Borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES

- **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.

- **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 financial statements.

5. In-kind contributions

In-kind contributions are donations that are made to the Entity 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 Entity 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.

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf 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 in the statement of receipts and payments as proceeds from foreign borrowings.

7. 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.

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 party deposits. As at 30th June 2018, this amounted to Kshs 52,085,927 compared to Kshs 37,071,346 in prior period as indicated on **note 14**.

There were no other restrictions on cash during the year.

SIGNIFICANT ACCOUNTING POLICIES

8. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are 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.

9. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. 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 Entity 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.

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2018 for the period 1st July 2018 to 30th June 2018 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

12. Comparative Figures

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

SIGNIFICANT ACCOUNTING POLICIES

13. 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 30th June 2018

14. Errors

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

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

XIII. NOTES TO THE FINANCIAL STATEMENTS

1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	2018		2017	
				Kshs		Kshs	
Grants Received from Multilateral Donors (International Organisations)			Grants Received from Multilateral Donors (International Organisations)				
UNICEF	-	-	UNICEF	-		91,317,840	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 EXCHEQUER RELEASES

Total Exchequer Releases for quarter 1	7,550,468,662	7,498,233,038
Total Exchequer Releases for quarter 2	14,100,197,178	12,628,981,531
Total Exchequer Releases for quarter 3	11,355,122,748	14,979,369,982
Total Exchequer Releases for quarter 4	11,348,134,142	21,345,732,837
Other Exchequer Issues-Level 5 Hospitals	4,199,999,998	-
Other Exchequer Issues-DANIDA UHDSP	1,116,086,011	-
Other Exchequer Issues-World Bank-THUSCP	1,250,000,000	-
Other Exchequer Issues-User Fees Foregone	449,999,999	-
TOTAL	51,370,008,738	56,452,317,388

Other Exchequer issues refers to payments made by the National Treasury through the Exchequer account on behalf of MOH budgeted Expenditure
The Ministry received Exchequer issues of Ksh.51,370,008,738 against Net approved budget for Vote 1081 of Ksh 60,001,003,134

3 PROCEEDS FROM FOREIGN BORROWINGS

	Kshs	Kshs
Foreign Borrowing - Direct Payments	1,098,970,428	201,024,306
TOTAL	1,098,970,428	201,024,306

4 PROCEEDS FROM SALE OF ASSETS

	2017-2018	2016-2017
	Kshs	Kshs
Receipts from the Sale of Vehicles and Transport Equipment	1,833,632	-
Receipts from the Sale of Inventories, Stocks and Commodities	11,122,638	8,573,096
TOTAL	12,956,270	8,573,096

MINISTRY OF HEALTH
Reports and Financial Statements
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5 OTHER REVENUES

	2017-2018	2016-2017
Receipts from Administrative Fees and Charges	1,206,000	-
TOTAL	1,206,000	-

6 COMPENSATION OF EMPLOYEES

	2017-2018	2016-2017
	Kshs	Kshs
Basic salaries of permanent employees	1,285,742,558	1,283,047,680
Basic wages of temporary employees	2,688,763,677	2,003,080,677
Personal allowances paid as part of salary	2,585,440,199	1,683,387,890
Personal allowances paid as reimbursements	3,275,416	-
Employer Contributions Compulsory national health insurance schemes	230,662,307	252,000,000
TOTAL	6,793,884,157	5,221,516,247

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 USE OF GOODS AND SERVICES

Utilities, supplies and services	82,359,422	80,658,705
Communication, supplies and services	13,704,518	36,928,540
Domestic travel and subsistence	51,914,073	68,205,543
Foreign travel and subsistence	1,424,171	3,609,129
Printing, advertising and information supplies & services	2,968,997	70,980,925
Rentals of produced assets	5,200,995,733	9,580,175,758
Training expenses	197,634,945	211,421,276
Hospitality supplies and services	10,927,412	29,649,582
Specialised materials and services	979,340,730	1,327,340,563
Office and general supplies and services	11,163,370	21,410,703
Other operating expenses	135,000,340	236,974,545
Routine maintenance – vehicles and other transport equipment	18,753,480	20,750,482
Routine maintenance – other assets	38,507,335	55,836,822
Fuel Oil and Lubricants	35,009,474	30,042,149
TOTAL	6,779,704,000	11,773,984,722

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2017-2018 Kshs	2016-2017 Kshs
Transfers to National Government entities		
(SCOA Codes		
2630100	24,414,420,167	23,251,732,319
2630200	8,798,375,206	11,804,124,699
2640400	53,899,002	52,431,107
2640500	2,738,140,044	3,886,049,735
TOTAL	36,004,834,419	38,994,337,860

The above transfers were made to the following self-reporting entities in the year:

Description	2017-2018 Kshs	2016-2017
TRANSFERS TO SAGAS AND SCS	-	
KENYA MEDICAL TRAINING COLLEGE	3,577,950,000	2,893,066,667
KENYATTA NATIONAL HOSPITAL	7,475,990,770	7,285,829,541
KENYA MEDICAL RESEARCH INSTITUTE	2,087,547,216	1,834,962,265
KENYA MEDICAL SUPPLIES AUTHORITY	383,520,000	376,000,000
MOI TEACHING AND REFERAL HOSPITAL	5,692,391,847	5,244,705,867
NATIONAL AIDS CONTROL COUNCIL	958,043,453	942,146,308
GENEVA OFFICE-IHO	20,999,112	37,845,646
NATIONAL HOSPITAL INSURANCE FUND	1,980,250,000.00	1,381,275,853
	22,176,692,398	19,995,832,147
TRANSFERS TO COUNTY GOVERNMENTS	-	
47 COUNTIES-FREE MATERNITY	-	4,836,996,000
47 COUNTIES-USER FEES FOREGONE	899,999,999	900,000,000
2 COUNTIES-CONDITIONAL GRANTS	-	200,000,000
47 COUNTIES-NEGOTIATED ALLOWANCE	-	4,841,889,000
CONDITIONAL GRANTS -LEVEL FIVE HOSPITAL	4,199,999,998	
	5,099,999,997	10,778,885,000
TRANSFERS TO PROJECTS-GOK COUNTERPART FUNDING	-	
EAST AFRICA PUBLIC LABORATORY NETWORKING PROJECT	181,275,965	200,000,000
GLOBAL FUND -MALARIA ROUND 10 - SPECIAL	708,897,990	1,991,489,542
GLOBAL FUND-HIV/AIDS ROUND 7	490,253,961	220,156,096
GLOBAL FUND-HIV/AIDS-CURRENT	319,083,985	
TUBERCULOSIS ROUND 6	462,747,732	865,461,769
TUBERCULOSIS ROUND 7	331,141,960	

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TRANSFORMATIVE HEALTH SYSTEMS-UHC DANIDA	1,116,086,011	515,874,477
TRANSFORMATIVE HEALTH SYSTEMS-WORLD BANK	1,250,000,000	
TRANSFORMATIVE HEALTH SYSTEMS-MEDICAL SUPPLIES	432,549,712	
TRANSFORMATIVE HEALTH SYSTEMS-PROJECT	318,928,525	
EAST AFRI. CENTRE OF EXCELLENCE PROJECT	35,206,650	76,039,072
EAST AFRICAN CENTRE OF EXCELLENCE-A-I-A	215,983,375	
OTHERS GRANTS-CUBAN DOCTORS	69,341,224	-
KENYA HEALTH SECTOR SUPPORT	2,732,732,946	3,852,846,882
UNICEF-IMMUNIZATION VACCINES-GAVI	-	416,000,000
	8,564,230,036	8,137,867,838
OTHERS		
NATIONAL TUBERCLOSIS LUNG DISEAS - RELATED PAYMENTS	4,855,887	-
OTHER PAYMENTS-VARIOUS	59,056,101	81,752,875
	63,911,988	81,752,875
TOTAL	36,004,834,419	38,994,337,860

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 OTHER GRANTS AND TRANSFERS

Explanation	2017-2018	2016-2017
	2017-2018	2016-2017
	Kshs	Kshs
Membership dues and subscriptions to international organizations	41,382,261	28,334,605
Scholarships and other educational benefits	-	4,152,574
Emergency relief and refugee assistance	364,502,952	195,652,052
Total	405,885,214	228,139,231

10 SOCIAL SECURITY BENEFITS

	2017-2018	2016-2017
	Kshs	Kshs
Government pension and retirement benefits	75,000,000	100,000,000
TOTAL	75,000,000	100,000,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 ACQUISITION OF ASSETS

	2017-2018	2016-2017
	Kshs	Kshs
Non Financial Assets		
Construction of Buildings	81,685,222	247,787,266
Purchase of Vehicles and Other Transport Equipment	-	71,396,000
Purchase of Household Furniture and Institutional Equipment	155,316	451,240
Purchase of Office Furniture and General Equipment	3,452,948	2,995,000
Purchase of Specialised Plant, Equipment and Machinery	1,768,522,491	42,802,451
Purchase of Specialised Plant	490,129,741	
Research, Studies, Project Preparation, Design & Supervision	48,750,000	
Sub Total	2,392,695,718	365,431,957
TOTAL	2,392,695,718	365,431,957

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12A: Bank Accounts

Name of Bank, Account No. & currency	Exchange rate (if in foreign currency)	2017-2018	2016-2017
		Kshs	Kshs
CBK, 1000181688	KSH	445,330	1,364,997
CBK, 1000181478	KSH	314,582	64,353,351
CBK 1000181168	KSH	51,947,227	35,466,946
Total		52,707,139	101,185,294

12B: CASH IN HAND

	2017-2018	2016-2017
	Kshs	Kshs
Cash in Hand – Held in domestic currency	2,247,329	1,951,412
TOTAL	2,247,329	1,951,412

Cash in hand should also be analysed as follows:

	2017-2018	2016-2017
	Kshs	Kshs
Headquarters, Afya House, Cashoffice- Recurrent	2,108,629	347,012
Headquarters, Afya House, Cashoffice- Deposit	138,700	1,604,400
TOTAL	2,247,329	1,951,412

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Government Imprests	28,388,120	11,381,116
Salary advances	305,874	25,836
TOTAL	28,693,994	11,406,952

14: ACCOUNTS PAYABLE

	Kshs	Kshs
Deposits	52,085,927	37,071,346
TOTAL	52,085,927	37,071,346

15: FUND BALANCE BROUGHT FORWARD

	Kshs	Kshs
Bank accounts	101,185,297	80,017,247
Cash in hand	1,951,412	-
Receivables - Outstanding Imprests	11,406,952	7,649,699
Payables - Deposits	(37,071,346)	(7,701,815)
TOTAL	77,472,312	79,965,131

15B: ADJUSTED FUND BALANCE BROUGHT FORWARD

	Kshs	Kshs
Bank accounts	101,185,294	80,017,247
Cash in hand	1,951,412	-
Receivables - Outstanding Imprests	11,406,952	7,649,699
Payables - Deposits	(37,071,346)	(7,701,815)
Prior Year Adjustment	(77,047,705)	(72,315,432)
TOTAL	424,607	7,649,699

NOTES TO THE FINANCIAL STATEMENTS (Continued)

-Adjustment on Bank account Balances comprises of Kshs.1,364,997 and Kshs. 64,353,351 being balances for Development bank and Recurrent Bank accounts respectively, recovered by National Treasury from MOH after the close of the financial year 2016/17

-Adjustments on accounts receivables of Ksh 11,329,357 relates to outstanding imprest at the close of Financial year 2016/17 which was subsequently recovered in the same financial year.

17. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the Ministry of Health)

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

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18: OTHER IMPORTANT DISCLOSURES

18.1: PENDING ACCOUNTS PAYABLE

	2017-2018
	KSHS
CONSTRUCTION BUILDING	
ELDO ROSTA CONSTRUCTION LTD	8,276,577
CONSTRUCTION OF CIVIL WORKS	
REEITZA BUILDING & CON. COMP	1,998,189
RICADA BUSINESS SUPPORT SYSTEMS	3,381,173
SUPPLY OF GOODS	
VALUE DIAGNOSTICS LTD	37,146,751.35
EPITOME TECHNOLOGY	823,800.00
TROPA INTERNATIONAL LTD	1,657,500.00
SAVOY CONTRACTORS LTD	1,148,000.00
JOSTAKA ENTERPRICES	952,000.00
KIRATA AFRICA LTD	5,947,210.00
GREEN SPAR INVESTMENT LTD	1,042,500.00
DIAL UP ASSOCIATES CO. LTD	1,777,500.00
PHILIPS PHARMACEUTICALS LTD	1,200,000.00
BEDSCAPES ENTERPRICES	38,600.00
GLOBUS TOURS AND TRAVEL LTD	59,820.00
MINGWA GENERAL MERCHANTS	942,000.00
AUTO QUICK ENTERPRISES	577,500.00
PHARMA TRADE PHARMACY LTD	3,529,900.00
HADLEY GREEN LTD	116,350.00

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TOP SCORE ENTERPRICES	411,570.00
CLEON VENTURES	1,100,000.00
JUMLA MAX SUPPLIERS	855,000.00
QUESEVEN LTD	3,829,759.92
TRIAM ENTERPRISES	942,400.00
GOBEM GEN. SUPPLIES	1,094,800.00
MULIKA SOLUTIONS	1,190,000.00
STAGOM INVESTMENT	681,000.00
DOREK OFFICE SUPPLIES	598,400.00
ACCORD HEALTHCARE (K) LTD	1,800,000.00
KAIGI ENTERPRICES	132,000.00
INCALIS LOGISTICS	241,022.00
SETMATRIX LIMITED	318,300.00
FRONTLINE INFORMATION SERVICES	370,000.00
FOREFRONT VENTURES LTD	6,900,000.00
GYPSE LTD	415,000.00
DAKAR BIKI AGENCIES	432,000.00
KATE BABY SHOP	435,000.00
AMARA BB LTD	1,301,782.00
JAMON SOLUTIONS LTD	2,197,200.00
MEDICARE INTERNATIONAL LTD	40,375,000.00
STANLINE ENTERPRICES	8,376,000.00
MITHINI ENTERPRICES	12,269,250.00
LULU EAST AFRICA LTD	6,344,000.00
GLOBAL MEDLINK LTD	32,026,000.00
ACCESS CODE COMMUNACATION	5,232,500.00
TEE E.A LTD	13,229,000.00
GAMU PRIME SUPPLIES	9,270,000.00

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SARASAREA SUPPLIES	106,220.00
EASTCOPE ENTERPRICES	822,000.00
KENYATTA UNIVERSITY	1,581,600.00
CELTECH SUPPLIES	2,775,320.00
ALLAKEN GENERAL MERCHANTS	1,330,000.00
JEEP SOLUTIONS LTD	3,245,900.00
JOTESH GENERAL ENTERPRISES	1,025,000.00
MANJEKAH INVESTMENTS	1,150,000.00
JUNHA MARKET VENTURES	1,266,650.00
PRIME ACE VENTURES	1,882,000.00
JUNHA MARKET VENTURES	1,880,000.00
QUALIMARK RADIOSAFETY	1,308,000.00
EPHRAIM TECHNOLOGIES	503,960.00
VALUE DIAGOSTIC LTD	14,400,000.00
RICHATECH SUPPLIES	203,160.00
GOSHEN SOLUTIONS	638,285.00
KEEPERS CONSULTANTS LTD	168,100.00
PEGAT ENTERPRISES	1,846,000.00
PHYLTECH COMMUNICATIONS	3,500,000.00
BITS & BITS LTD	5,087,400.00
CHRISOM INVESTMENT	298,500.00
ALLENESHAL GENERAL SUPPLIES	360,000.00
VALUE DIAGOSTIC LTD	21,147,260.00
EMERALD TECHNOLOGIES	2,851,400.00
MILUSA PRESTIGE	14,600,000.00
THWAMA BUILDING SERVICES	4,936,237.00
MCLAIN HANSONS	602,000.00
MADUKHA OFFICE SUPPLIES	194,000.00

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EPHRAIM TECHNOLOGIES	627,620.00
TENKA ENTERPRISES	1,783,864.00
MISSION FOR ESSENTIAL DRUGS	500,000.00
BALTECH EQUIPMENT	471,400.00
STEWART BUSINESS SOLUTION	1,328,205.00
EPITOME TECHNOLOGY	948,960.00
NDEGE AGENCIES	250,000.00
DOUBLELINK ENTERPRISES	815,500.00
FOURAFRIQUE	775,100.00
GOSHEN SOLUTIONS	499,500.00
YOUNG PROMISE	1,000,000.00
SOIMAK INVESTMENTS	1,604,500.00
DYNAMIC MATRIX LTD	800,000.00
ULTRA ENGINEERING SYSTEMS	416,000.00
KIBLO LTD	960,000.00
RUMATHI ENTERPRISES	981,900.00
NEOTEL SOLUTIONS	950,000.00
ZIYALE INVESTMENT	4,907,000.00
NYAKI AGENCIES	15,750,000.00
KIMGEN SUPPLIES	50,750,000.00
SULKA EA LTD	5,256,000.00
RIPEWOOD SERVICES	2,708,300.00
ALCOVE SUPPLIES	1,317,000.00
JEEP SOLUTIONS LTD	6,752,430.00
CONVERGENT INVESTMENT	5,869,500.00
GHEEMAX ENTERPRISES	1,990,600.00
LIMAH EA LTD	8,853,042.00
FRANKAN ENTERPRISES	3,162,500.00

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MIMS SUPPLIES	8,576,690.00
SKYSPACE SYSTEMS	902,964.00
MOTOR RENEWERS	28,000.00
SHANNIAN ENTERPRISES	2,998,681.00
AGROSELINE AGENCIES	314,500.00
DOTTO COMPUTER AGENCIES	157,000.00
EDNAS ENTERPRISES	147,000.00
REASONS INVESTMENT	1,280,000.00
SEANWILLS INVESTMENT	5,034,000.00
JOSTEL ENTERPRISES	1,968,375.00
HANDMOGO COMMERCIAL	1,470,720.00
SCARBEX SERVICES	597,900.00
ALCOVE SUPPLIES	794,400.00
CASELAB LIMIED	664,000.00
OLLEZANDA LINK INVESTMENT	1,320,000.00
MADIC BUSINESS SUPPLIERS	1,702,360.00
RAIA INVESTMENTS	1,920,000.00
JOTAYA ENTERPRISES	677,500.00
COPYLITE TECHNOLOGY	478,000.00
DENPAH INVESTMENTS	487,700.00
DOTTO COMPUTER AGENCIES	887,780.00
MIMS SUPPLIES	3,455,000.00
PROF KIAMA WANGAI &CO	732,999.00
CANON AGENCIES	2,430,000.00
RICHIN TRADERS	3,116,320.00
MUFLOWA ENTERPRISESE	138,780.00
LIFE IN AFRICA LTD	2,482,000.00
TIMINAH OWADE ENTERPRISES	2,980,000.00

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SOSOSNI ENTERPRISES	2,977,000.00
ECLIPSE SERVICES	400,000.00
FANISI WORLD	1,200,000.00
PHAROJ GENERAL MERCHANTS	492,500.00
G. NORTH & SON LIMITED	500,000.00
JAMWA LOGISTICS	320,400.00
NARROW BRIDGE HOLDINGS LTD	1,250,000.00
ZIYALE INVESTMENTS	1,250,000.00
KENYA MEDICAL TRAINING COLLEGE	97,000.00
MIMS GENERAL SUPPLIES	796,000.00
GINA MOTORS	145,000.00
COMDA INVESTMENT	1,244,000.00
DYNAMIQUE VENTURES	100,850.00
DANPHIS ENTERPRISES LTD	278,052.00
DOUBLE SEVEN SUPPLIES & SERVICES	400,000.00
KLIQ ENTERPRISES	400,000.00
GEKAM ENTERPRISES	1,416,000.00
HAKSSON MEDPHARM SUPPLIERS	1,045,000.00
KENNUJEL LIMITED	320,400.00
STARINE AGENCY	1,104,773.00
NARROW BRIDGE HOLDINGS LTD	12,875,000
MARVEL SYSTEMS LTD	6,125,000
GREENWICH INTERCOM NETWORK	770,000
WADWA VENTURE	750,000
MAXINE INVESTMENTS	2,616,000
SPAREMART AGENCIES	3,258,000
NEWGEN ENTERPRISES	1,033,700
IMBASH VENTURES	1,599,850

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PRIME ACE VENTURES	1,475,000
PINETOWN AGENCIES	4,950,000
SHIBRI ENETERPRISES	2,509,000
FINELYNX	5,300,000
SANWAM SERVICES	2,292,000
IKAN AGENCIES	2,382,000
HEBRON COMMUNICATION	2,744,000
RAINERS GENERAL SUPPLIES	1,194,000
BUYWORTH ENTERPRISES	1,950,000
KIBLO LTD	2,250,000
CHANNAH SUPPLIES	1,386,000
ESSAH GENERAL SUPPLIES	1,140,500
ELIRSHA SUPPLIES	1,205,000
GOSHEN SOLUTIONS	905,000
ONE SOURCE COMP.	7,625,000
BERCENG SUPPLIES	1,950,000
JAMWA LOGISTICS	950,000
BETHUM BENERAL MERCHANTS	1,642,000
KEW CREATIONS	9,500,000
IBSEN LIMITED	6,320,000
PMK INVESTMENTS	1,388,850
WAMUNJU ENTERPRISES	575,000
INNOVATION AFRICA	936,896
VISHECRY	556,600
TECHWAIT ENTER	205,200
HARDWELL ENTER.	1,450,000
CURATIVE & MEDICAL SUPPORT	49,998,650
FORTUNE FORTE	573,180

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BRUDAH COMPANY	268,400
NUTTY PRINTERS AND GENERAL SUPPLIES	1,600,000
JUMIA MAX SUPPLIERS	3,164,840
NETANEL ENTERPRISES	6,900,000
MODKEN INDUSTRIAL SERVICES	7,277,135
TOYOTA KENYA	13,825,000
VIRGO HOLDINGS LTD	82,400
TRIPPLE M STORES	2,304,580
ELTE EXPRESS	4,575,000
DARIR	533,300
VIEWSEAL AGENCIES	652,800
NGINU POWER ENGINEERING EA LTD	1,152,063.65
NETANEL ENTERPRISES	51,000.00
UMBA COMPANY	799,500.00
VENDOURS SYSTEM ENTERPRISES	498,000.00
JAGMA GENERAL ENTERPRISES	2,023,257.00
FAYTECH AGENCIES	409,500.00
PIEZAS SERVICES	819,500.00
KAPPEX ENTERPRISES LIMITED	1,020,000.00
TINSEL TOWN SUPPLIES	984,750.00
JAGMA GENERAL ENTERPRISES	843,550.00
JAGMA GENERAL ENTERPRISES	620,875.00
LUED (A)CHEMICALS	1,000,000.00
SUB-TOTAL	680,330,849
SUPPLY OF SERVICES	
KILASIKU NEWSPAPER SUPPLIERS	148,680.00
CMC MOTORS GROUP LTD	306,031.00
TOYOTA KENYA LTD	357,939.00

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CEBETH ENTERPRISES	363,743.00
KENYA POWER & LIGHTING CO. LTD	1,518,018.00
GANSON ENTERPRISES	585,000.00
SERENA HOTEL	36,000.00
MADARA MOTOR SERVICES	165,000.00
PHYLTECH COMMUNACATIONS	1,562,500.00
ACCESS KENYA GROUP	468,000.00
UNIVERSITY OF NAIROBI	924,600.00
MOI UNIVERSITY	532,600.00
HIGH FLYERS VENTURES	273,300.00
TOYOTA KENYA LTD	133,445.00
DT DOBIE	509,305.96
DT DOBIE	162,800.00
PROSUP NICHEL LTD	331,528.00
KCB LEADERSHIP CENTRE	120,600.00
TOYOTA KENYA LTD	305,670.00
KEMSA	7,999,992.00
MARA TOURS AND TRAVEL	88,085.00
SILVER AFRICA	461,830.00
KIWAKA GENERAL MERCHANT	2,000,000.00
AFRI MAJIK COMPANY LTD	1,286,730.00
SAROVA WHITE SANDS RESORT	4,916,611.00
AIRTEL NETWORKS	140,076.00
POSTAL CORPORATION	10,960.00
KPLC	295,901.00
AIMAT CO LTD	275,364.00
NAIROBI CONNECTION SERVICES	1,900,200.00
AIRTEL NETWORKS	67,762.00

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SIMBANET COM	87,000.00
SILVER AFRICA	265,950.00
MARA TOURS AND TRAVEL	55,245.00
PAGO AIRWAYS	1,563,820.00
PAGO AIRWAYS	428,779.00
ROWAMU ENTERPRISES	496,000.00
MOTOR RENEWERS	95,700.00
MARA TOURS AND TRAVEL	39,600.00
SILVER AFRICA	485,950.00
TRENDY TECHNOLOGIES KENYA LTD	1,570,000.00
TOYOTA KENYA LIMITED	29,051.00
SIMBA CORPORATION LIMITED	211,622.28
ESERIANI LIMITED	195,000.00
KENYA MEDICAL TRAINING COLLEGE	588,000.00
GLOBUS TOURS LTD	94,495.00
AIRWAYS TOURS LTD	279,400
AIRWAYS TOURS LTD	425,600
MINDRAY MEDICAL KENYA	169,182,833
PHILIPS MEDICAL SYSTEM	91,490,000
PHILIPS MEDICAL SYSTEM	134,239,076
PHILIPS MEDICAL SYSTEM	42,608,379
TRANSGLOBAL CARGO CENTER	56,691,628
GE EAST AFRICA SERVICES	320,000,000
ESTEEM INDUSTRIES	323,817,187
MASH PARK HOTEL	225,000
JUMUIA GUEST HOUSE	477,400
ABBAY RESORT	300,000
AEGIS DEVELOPMENT SOLUTIONS	5,220,000

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KENYA ASSOCIATION OF UROLOGICAL SURGEONS	845,000
NAIROBI CITY COUNTY	5,479,010
SEVERIN SEA LODGE	1,234,500
PRINTECH MEDIA	80,000
DEVANI	1,999,941
KBC	172,260
KENYA WILDLIFE SERVICES	1,089,360.00
KENYA WILDLIFE SERVICES	564,270.00
PAGO AIRWAYS TRAVEL SERVICES	326,570.00
MAVUNO (K) AUTO MASTERS	38,000.00
OTHER PENDING PAYABLES	
NATIONAL AIDS CONTROL COUNCIL	100,000,000
NHIF	1,980,250,000
KENYATTA NATIONAL HOSPITAL	45,077,800
MTRH	85,000,000
KMTC	98,250,000
NATIONAL AIDS CONTROL COUNCIL	8,875,000
NATIONAL AIDS CONTROL COUNCIL	94,567,379
KEMRI	3,750,000
KNH	9,999,994.00
KEMRI	10,934,750.00
KEMRI	5,315,250.00
MTRH	93,958,558.40
PS- MFA	10,499,556.00
KENYA PAEDIATRIC ASSOCIATION	27,000.00
CARREN CHEPKIRUI	62,135.00

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DR GETRUDE WAMBUI	1,321,920.00
DR GRACE OTIENO	1,234,950.00
MERINA SILVANA	121,809.00
SUB-TOTAL	2,549,246,101
TOTAL	4,434,472,786

18.2: PENDING STAFF PAYABLES

NAME	WARRANT NO	PAYMENT DATE	Amount Issued	Amount Surrendered	Outstanding Balance
JANE JEPCHIRCHIR KIMELI	2856966	5/3/2018	18,900.00	-	18,900.00
CHARLES CHERUIYOT KORIR	3176533	23/4/2018	344,814.00	-	344,814.00
CHARLES CHERUIYOT KORIR	3176639	30/6/2018	218,600.00	-	218,600.00
DAVID GICHERU KARIUKI	3176998	30/1/2018	33,600.00	-	33,600.00
DAVID GICHERU KARIUKI	3176517	17/4/2018	237,552.00	-	237,552.00
MISEGA KEMUNTO NYAGWAKO	3062425	21/11/2017	470,000.00	-	470,000.00
MISEGA KEMUNTO NYAGWAKO	3103342	20/12/2017	93,800.00	-	93,800.00
CHRISTOPHER KISOI MUTINDE	2676760	21/12/2017	33,600.00	-	33,600.00
VICTOR MUGENDI NTHIGA	3048791	30/6/2018	198,000.00	-	198,000.00
STEPHEN BETT	3176523	30/6/2018	12,600.00	-	12,600.00
JAPHET JAJI MUMBA	3032429	30/6/2018	42,600.00	-	42,600.00
JAPHET JAJI MUMBA	3176993	25/1/2018	60,200.00	-	60,200.00
JAPHET JAJI MUMBA	3103243	8/3/2018	43,300.00	-	43,300.00
PETER NJOROGI MWANGI	2931398	7/8/2017	56,000.00	-	56,000.00
ERICK LANGAT KECHEI	3048635	10/10/2017	118,000.00	-	118,000.00
ERICK LANGAT KECHEI	3048825	19/10/2017	121,177.00	-	121,177.00
ERICK LANGAT KECHEI	3176617	31/5/2017	347,400.00	-	347,400.00
MARGARET WANGUI GITAU	3205490	30/6/2018	417,200.00	-	417,200.00

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POSE KEMUNTO MOKAYA	3048719	6/11/2017	353,800.00	-	353,800.00
PETER KIPKOECH CHERUTICH	3103340	20/12/2017	116,200.00	-	116,200.00
WILLY GITHINJI MARIBA	3048862	30/6/2018	12,900.00	-	12,900.00
MAUREEN KAMENE KIMENYE	3032417	16/11/2017	71,933.00	-	71,933.00
DANIEL MAINA MAINGI	3048827	23/10/2017	78,177.00	-	78,177.00
DANIEL MAINA MAINGI	3083323	9/2/2018	57,000.00	-	57,000.00
CHARLES MURAYA MUNYI	2856989	18/1/2018	18,900.00	-	18,900.00
NELLIE NJAMBI MUKIRI	2971696	17/10/2017	28,360.00	-	28,360.00
JOSHUA KIBET ROTICH	3103273	15/3/2018	184,400.00	-	184,400.00
ABDI ROBA	2971695	10/10/2017	9,000.00	-	9,000.00
ALICE NZANGA MBUI	2856977	5/1/2018	33,600.00	-	33,600.00
MAMO UMURO ABUDO	3176539	26/04/2018	201,192.00	-	201,192.00
JOHANSEN ODUOR NYAYAL	3176976	30/1/2018	67,000.00	-	67,000.00
PHILIP MASESE SAGINI	3074360	11/5/2018	201,000.00	-	201,000.00
PENINA MWONGELI NZOKA	3103285	7/5/2018	50,000.00	-	50,000.00
ELIZABETH QALITI DUDA	2856988	15/1/2018	18,900.00	-	18,900.00
GEOFFREY MUSAVINI KWARULA	2856994	15/1/2018	33,600.00	-	33,600.00
MARTIN MWANGI KAMAU	3103325	8/12/2017	298,701.00	-	298,701.00
ELIZABETH OCHANDA					
OMBAMBO	3205336	13/4/2018	9,800.00	-	9,800.00
SULEIMAN KHAMISI KITHI	2856985	17/1/2018	44,800.00	-	44,800.00
SWABAHA BAISHE BAKARI	3074363	27/4/2018	239,000.00	-	239,000.00
FRANCIS OGERO NYAMARI	3205328	15/3/2018	60,000.00	-	60,000.00
ELKANAH NYAKUNDI ONGUTI	30324198	15/11/2017	8,000.00	-	8,000.00
STEPHEN MBUGUA KABORO	3048792	12/10/2017	198,000.00	-	198,000.00
ANN P MUTHONI GICHU	3103322	23/11/2017	596,000.00	-	596,000.00
ANN P MUTHONI GICHU	3176964	28/12/2017	602,700.00	-	602,700.00
HASHIM OSMAN WARFA	3032355	1/11/2017	1,190,000.00	-	1,190,000.00

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EDWINA ANYANGO OUMA	3032397	28/12/2017	2,289,200.00	-	2,289,200.00
CHARLES OHIWA ODUOR	3048826	19/10/2017	78,177.00	-	78,177.00
JACKSON KIOKO KIMEU	3048596	30/6/2018	56,000.00	-	56,000.00
JACKSON KIOKO KIMEU	3176952	19/2/2018	36,400.00	-	36,400.00
JACKSON KIOKO KIMEU	3176641	30/6/2018	60,903.00	-	60,903.00
BETTY CHEPNGETICH SOI	3176956	21/12/2017	22,400.00	-	22,400.00
JACKSON MUTINDA NGUI	3048620	30/6/2018	18,900.00	-	18,900.00
BERNARD KIBET BOSBEN	3294927	13/6/2018	117,600.00	-	117,600.00
GEOFFREY WANJOHI MBURU	3294937	18/5/2018	668,500.00	-	668,500.00
JANE WACERA MURAGE	2856975	7/5/2018	33,600.00	-	33,600.00
ANNE WANGECHI MBURU	2856972	5/3/2018	33,600.00	-	33,600.00
NICK KIPTANUI BARIWOTT	2856963	17/1/2018	33,600.00	-	33,600.00
NICK KIPTANUI BARIWOTT	2856980	15/1/2018	25,200.00	-	25,200.00
MERCY JEPCHUMBA CHERONO	2856970	17/1/2018	33,600.00	-	33,600.00
PRISCA TUITOEK	2856967	17/1/2018	33,600.00	-	33,600.00
MARY KANDIE YATICH	2856965	17/1/2018	33,600.00	-	33,600.00
MAGDALINE JEMELI MOROGO	2856964	17/1/2018	33,600.00	-	33,600.00
ROSE JEPKEMOI KIPLAGAT	2856969	17/1/2018	33,600.00	-	33,600.00
EZEKIEL CHERUIYOT	2856973	17/1/2018	18,900.00	-	18,900.00
LILY BEATRICE NYANCHAMA	2856968	7/5/2018	18,900.00	-	18,900.00
BEN KIPTOO SONGOK	2676751	20/2/2018	59,600.00	-	59,600.00
DICKSON ORUKO MACAGER	3032440	30/6/2018	219,000.00	-	219,000.00
MICHAEL NYAMU MWANIKI	3103348	20/12/2017	73,900.00	-	73,900.00
BONIFACE MUKALA THISONI	3205333	21/3/2018	88,600.00	-	88,600.00
BENSON MUGAMBI NAIRUTI	3048555	13/9/2017	12,600.00	-	12,600.00
JACOB KIMURGOR BUSIENEI	3176631	6/6/2018	600.00	-	600.00
PETER MWANGI KIMANI	3176691	11/5/2018	61,500.00	-	61,500.00
CHERUBIM MBOGORI KIRIMA	3048853	30/6/2018	32,600.00	-	32,600.00

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

DANIEL KAIHURA MUGUNYI	30883304	30/6/2018	28,400.00	-	28,400.00
PAUL KIPKORIR MUTAI	3083348	30/6/2018	29,800.00	-	29,800.00
JOSEPH KIBET RONOH	2931277	30/6/2018	8,400.00	-	8,400.00
JOSEPH KIBET RONOH	3048630	30/9/2017	34,700.00	-	34,700.00
JOSEPH KIBET RONOH	3048796	12/10/2017	93,000.00	-	93,000.00
JOSEPH KIBET RONOH	3048833	30/6/2018	34,700.00	-	34,700.00
JOSEPH KIBET RONOH	3177000	30/1/2018	32,600.00	-	32,600.00
JOSEPH KIBET RONOH	3083310	9/2/2018	79,000.00	-	79,000.00
BEATRICE JUMA OUNDO	3294919	11/5/2018	54,750.00	-	54,750.00
BEATRICE JUMA OUNDO	3294936	30/6/2018	68,600.00	-	68,600.00
PETER KIPLAGAT TUM	3176501	30/6/2018	54,600.00	-	54,600.00
MESHACK MATOKE OMBONGI	3048787	10/10/2017	2,207,200.00	-	2,207,200.00
MESHACK MATOKE OMBONGI	3062421	21/11/2017	1,358,800.00	-	1,358,800.00
RASHID ABDI AMAN	3176696	30/6/2018	118,070.00	-	118,070.00
GIDEON NGISA ACHWOGA	3101438	23/4/2018	58,800.00	-	58,800.00
JULIUS KIPLANGAT KORIR	3048830	30/6/2018	50,400.00	-	50,400.00
FRANCIS KIOKO MUSYIMI	3176951	20/12/2017	36,400.00	-	36,400.00
MORANGA MOREK WA	2931260	24/8/2017	42,000.00	-	42,000.00
MORANGA MOREK WA	3176973	30/6/2018	25,200.00	-	25,200.00
FLORENCE ATIENO OGOLLA	30048846	9/11/2017	117,600.00	-	117,600.00
MAKARA JOSEPH KAMOTHO	3074366	14/5/2018	101,200.00	-	101,200.00
LEAH ROSALIND MURIMI	3048858	21/8/2017	113,403.00	-	113,403.00
LEAH ROSALIND MURIMI	3048861	23/8/2017	50,000.00	-	50,000.00
LEAH ROSALIND MURIMI	3032419	15/11/2017	50,000.00	-	50,000.00
PETER MARTIN GATHUMBI	2807597	14/9/2017	51,500.00	-	51,500.00
PETER MARTIN GATHUMBI	3048774	10/10/2017	37,600.00	-	37,600.00
PETER MARTIN GATHUMBI	3103309	13/11/2017	28,400.00	-	28,400.00
STEPHEN KIPKOECH CHOGE	3048578	22/9/2017	19,600.00	-	19,600.00

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

STEPHEN KIPKOECH CHOGE	3048600	30/6/2018	21,000.00	-	21,000.00
MARTIN MIEWE OWINO	3205311	6/3/2018	100,800.00	-	100,800.00
NELSON MIEWE OWINI	2931400	7/8/2017	56,000.00	-	56,000.00
NELSON MIEWE OWINI	2931263	24/8/2017	42,000.00	-	42,000.00
KEPHA MOGERE OMBACHO	3048730	25/1/2018	84,000.00	-	84,000.00
SAMMY K MAKAMA	3048732	1/2/2018	270,000.00	-	270,000.00
SAMMY K MAKAMA	3176601	18/05/2018	227,402.00	-	227,402.00
ADAN MOHAMED ALI	3103343	29/12/2017	93,800.00	-	93,800.00
ROBERT MUSYOKA KILONZO	3048729	25/1/2018	70,000.00	-	70,000.00
GAMALIEL OMONDI	3048725	15/1/2018	100,000.00	-	100,000.00
FRED ONGERA ONSONGO	3048715	10/10/2017	34,600.00	-	34,600.00
FRED ONGERA ONSONGO	3048727	25/1/2018	61,500.00	-	61,500.00
FLORENCE KERUBO NYAKUNDI	3103316	30/6/2018	175,700.00	-	175,700.00
MANASEH ASSER BOCHA	3103333	19/2/2018	25,200.00	-	25,200.00
ANNE WANGECHI WAMBARIA	3083410	29/3/2018	28,200.00	-	28,200.00
PHILIP MWENDO MUTHOKA	3103349	12/20/2017	116,200.00	-	116,200.00
DAVID KAREKO	3062420	11/21/2017	1,358,800.00	-	1,358,800.00
ANNASTACIA KATUVEE MUANGE	3083333	2/9/2018	1,696,600.00	-	1,696,600.00
BENJAMIN MAKAU MATHEKA	3048582	10/12/2017	52,500.00	-	52,500.00
LYDIA MUTHONI KAMAU	3083330	6/30/2018	64,000.00	-	64,000.00
ISABELLA WANJIKU MAINA	3048563	9/12/2017	137,116.00	-	137,116.00
ISABELLA WANJIKU MAINA	3048882	9/20/2017	71,379.00	-	71,379.00
STEWART KABAKA	3032356	11/1/2017	300,000.00	-	300,000.00
CATHERINE WANGUI KIMIRA	3048909	2/5/2018	470,600.00	-	470,600.00
JOSEPH NZIOKI NZEKA	3048844	11/7/2017	54,100.00	-	54,100.00
APOLLO OTEMO MUCHIL WA	2931251	8/7/2017	56,000.00	-	56,000.00
ALI MWINYI HAJI	3048589	9/29/2017	55,200.00	-	55,200.00
JOHN K KAMAU GICHURU	3176955	3/5/2018	28,000.00	-	28,000.00

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

ELLY OPIYO GENGA	3083327	6/30/2018	38,400.00	-	38,400.00
BERNARD OTIENO OONGA	3176957	12/21/2017	22,400.00	-	22,400.00
BERNARD OTIENO OONGA	3176643	6/26/2018	959,210.00	-	959,210.00
SAMWEL MURIUKI KARIUKI	2931396	8/7/2017	100,800.00	-	100,800.00
SAMWEL MURIUKI KARIUKI	2931262	8/24/2017	75,600.00	-	75,600.00
SAMWEL MURIUKI KARIUKI	3048914	1/31/2018	25,200.00	-	25,200.00
WILLIAM AMULE OKOYO	3083350	6/30/2018	16,800.00	-	16,800.00
KIRUI KIPKEMOI SAMWEL	3048779	6/30/2018	40,500.00	-	40,500.00
KIRUI KIPKEMOI SAMWEL	3048832	7/30/2018	64,000.00	-	64,000.00
KIRUI KIPKEMOI SAMWEL	3103318	6/30/2018	27,000.00	-	27,000.00
KIRUI KIPKEMOI SAMWEL	3176968	1/12/2018	45,500.00	-	45,500.00
KIRUI KIPKEMOI SAMWEL	3205376	2/22/2018	126,887.00	-	126,887.00
MERCY MUKUI MWANGANGI	3176681	5/21/2018	587,719.00	-	587,719.00
TECLA JEPKEMBOI KOGO	3205487	6/30/2018	647,190		647,190
BENEDETTE ATIENO AJWANG	3083270	1/26/2018	1,471,800		1,471,800
DAVID KINYANJUI NJUGUNA	3205485	30/6/2018	1,425,200		1,425,200
		TOTAL	28,388,120		28,388,120

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

18.3: OTHER PENDING PAYABLES-RETENTIONS AND GENERAL DEPOSITS

ANNEX 2: ANALYSIS OF OTHER PENDING PAYABLES-RETENTIONS AND GENERAL

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	
					2018	2017
		a	b	c	d=a-c	
Amounts due as Retention Monies						
1. INTERLINK INDUSTRIES	10% Retention	612,535	42,893.00	-	612,535	612,535
2. INTERLINK INDUSTRIES	10% Retention	1,917,903	21/7/2017	-	1,917,903	1,917,903
3. BLUE STREAM ENTERP.	10% Retention	2,432,554	42,893.00	2,432,554	-	2,432,554
4. BLUE STREAM ENTERP.	10% Retention	1,088,645	42,832.00	286,997	801,648	1,088,645
5. BLUE STREAM ENTERP.	10% Retention	1,180,324	24/7/2017	-	1,180,324	1,180,324
6. LUNAO ENTERPRISES	10% Retention	1,024,369	30/6/2017	-	1,024,369	1,024,369
7. LUNAO ENTERPRISES	10% Retention	231,498	30/1/2017	-	231,498	231,498
8. BOWL PLUMBERS	10% Retention	593,176	30/1/2017	-	593,176	593,176
9. SENDERS SERVICES	10% Retention	1,401,217	22/2/2017	-	1,401,217	1,401,217
10. SASAH CONSTRUCTION	10% Retention	622,028	30/1/2017	-	622,028	622,028
11. SASAH CONSTRUCTION	10% Retention	16,550	16/8/2017	-	16,550	16,550
12. GLAMA ELECTRICALS	10% Retention	128,320	30/1/2017	-	128,320	128,320
13. GLAMA ELECTRICALS	10% Retention	1,236,795	30/1/2017	-	1,236,795	1,236,795
14. TECHNIQUES GEN. MER.	10% Retention	857,916	30/1/2017	-	857,916	857,916
15. TECHNIQUES GEN. MER.	10% Retention	727,180	22/3/2017	-	727,180	727,180
16. SUNJUA BUILDERS	10% Retention	322,205	29/8/2017	-	322,205	322,205
17. SUNJUA BUILDERS	10% Retention	66,373	21/7/2017	-	66,373	66,373
18. SUNJUA BUILDERS	10% Retention	38,074	43,015.00	-	38,074	38,074
19. V. VAGHIYANI ENTERP.	10% Retention	2,858,725	27/7/2017	-	2,858,725	2,858,725
20. PONG AGENCIES	10% Retention	175,406	25/7/2017	-	175,406	175,406

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

21.REFCON ENGINEERING	10%Retention	259,774	13/7/2017	-	259,774	259,774
23.Thammwa Building Ltd	10%Retention	723,077	3/11/2017	-	723,077	-
25.Blackwood Ltd	10%Retention	1,050,685	20/3/2018	-	1,050,685	-
26.Savoy Contractors	10%Retention	247,500	18/4/2018	-	247,500	-
27.Senders Services Ltd	10%Retention	558,145	18/4/2018	-	558,145	-
28.Prokure Contractors	10%Retention	740,000	18/4/2018	-	740,000	-
30.Interlink Industries	10%Retention	65,749	13/6/2018	-	65,749	-
32.Mavicom Agencies Ltd	10% Retention	1,199,440	13/6/2018	1,199,440	-	-
33.Sender Services Ltd	10%Retention	630,350	15/11/2017	-	630,350	-
34.Sender Services Ltd	10%Retention	643,597	15/11/2017	-	643,597	-
35.Sender Services Ltd	10% Retention	953,763	15/11/2017	-	953,763	-
Sub-Total		24,603,871		3,918,991	20,684,880	17,791,565
Amounts due as General Deposits						
1.AGRA WEL E.A.		200,350		-	200,350	200,350
2.NBK		747,049		-	747,049	747,049
3.AGRA WEL E.A.		267,475		-	267,475	267,475
4.REBECCA BOIT		30,000		-	30,000	30,000
5.GREENLIFE CROP PROTEC.		423,020		-	423,020	423,020
6.HIGHCHEM MERKETING		893,350		-	893,350	893,350
7.DHO A/RIVER		4,200,000		-	4,200,000	4,200,000
8.CBK		5,196,245		-	5,196,245	5,196,245
9.OSHO CHEMICALS		245,680		-	245,680	245,680
10.R.H. DEVANI		114,630		-	114,630	114,630
11.Osho Chemicals		1,031,179	29/6/2018	-	1,031,179	-
12.Merry Chemicals Co		549,775	3/5/2018	-	549,775	-

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

13. Tropical Brands K LTD		217,945	29/9/2017	-	217,945	
14. Agha Khan University		3,315,528	29/12/2017	-	3,315,528	
15. Allenges Medical		75,321	29/6/2018	-	75,321	
16. Pismatic Ltd		217,945	29/9/2017	-	217,945	
Sub-Total		17,725,492		-	17,725,492	12,317,799
OTHER REVENUES						
1. ALTERNATIVE MEDICINE		50,000		-	50,000	1,533,515
2. RADIATION BOARD		36,740,401		26,256,005	10,484,396	5,428,467
3. Staff Deductions		3,141,159			3,141,159	-
Sub-Total		39,931,560		26,256,005	13,675,555	6,961,982
Grand Total		82,260,923		30,174,996	52,085,927	37,071,346

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

19. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved /Not Resolved)	Timeline (Within how long an issue to be resolved)
FY 2016/17	Qualified Opinion	Responses prepared Appeared before PAC	HAU Margaret Kariuki	Resolved	FY 2018/2019

Principal Secretary
Name: Peter Tum



Assistant Accountant General
Name: Margaret Kariuki
ICPAK Member Number: 4291

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

ANNEX 1 – LIST OF PROJECTS IMPLEMENTED BY THE ENTITY –MINISTRY OF HEALTH

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1.	East African Public Health Network	Providing national laboratory services in research, and consultancy	Dr. Jackson M.Kioko Director of Medical Services	No
2.	OBA	Offer Quality Reproductive Health Care Services to economically disadvantaged	Dr. David Kariuki	No
3.	East Africa Centre of Excellence	Training, Research and Service Delivery	Mr. David Waititu	No
4.	Kenya Italy Debt for Development	Developing of Community Health Strategy through rehabilitation of health facilities	Ms Eunice Ambani	No
5.	Global Fund HIV AIDs Funding	Reduce HIV Infections and AIDs Related Diseases	Dr.Kigen Bartilol	No
6.	Global Fund Tuberculosis	Reduce transmission and enhance the quality care	Dr. Kamene Kimenye	No
7.	OBA	Design and Implement Social Health Insurance System to economically disadvantaged	Dr. David Kariuki	No
8.	The Medical Waste Management Project	Clinical Waste Disposal System	Dr. Kepha Ombacho	No
9.	Rapid Testing Quality Improvement Initiative	HIV Testing	Dr. Kioko	No
10.	National Quality Control Laboratory	Medicine Quality Standard	Dr. H. Chepkwony	No
11.	Chemical, Biological Radiological and Nuclear (CBRN)	Respond to threat from CBRN	Mr. Ali Gakweli	No
12.	Transforming Health Systems for Universal Care Project	Improve Primary Health care	Dr. Ahmed Omar Ahmed	No

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

ANNEX 2 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY-MINISTRY OF HEALTH

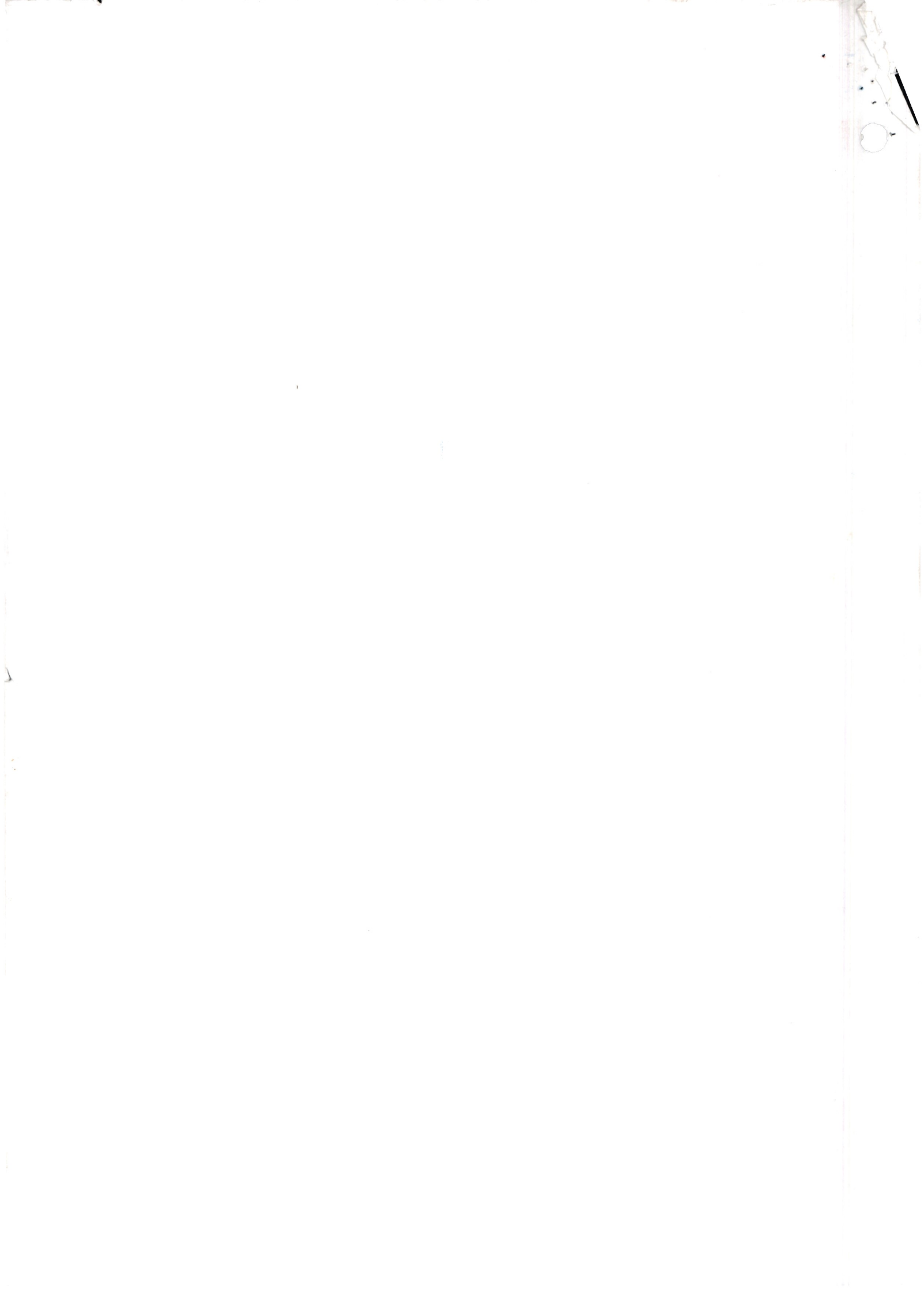
Ref. No	Transfers to SAGAs and SCs	Amount transferred during the year(Ksh.)	Inter- entity reconciliations done?(yes/no)
A	Transfers to SAGAs		
	KENYA MEDICAL TRAINING COLLEGE	3,577,950,000	Yes
	KENYATTA NATIONAL HOSPITAL	7,570,990,770	Yes
	KENYA MEDICAL RESEARCH INSTITUTE	2,087,547,216	Yes
	KENYA MEDICAL SUPPLIES AGENCY	383,520,000	Yes
	MOI TEACHING AND REFERRAL HOSPITAL	5,692,391,847	Yes
	NATIONAL AIDS CONTROL COUNCIL	958,043,453	Yes
	GENEVA OFFICE-IHO	10,499,556	Yes
	NATIONAL HOSPITAL INSURANCE FUND	1,980,500,000	Yes
	TOTAL	22,166,192,842	
B	Transfers to Projects-GoK counterpart funding		
	EAST AFRICA PUBLIC LABORATORY NETWORKING PROJECT	181,275,965	Yes
	GLOBAL FUND -MALARIA ROUND 10 - SPECIAL	708,897,990	Yes
	GLOBAL FUND-HIV/AIDS ROUND 7	490,253,961	Yes
	GLOBAL FUND-HIV/AIDS ROUND	319,083,985	Yes
	TUBERCULOSIS ROUND 6	462,747,732	Yes
	TUBERCULOSIS ROUND 7	331,141,960	Yes
	TRANSFORMATIVE HEALTH SYSTEMS UHC DANIDA	1,116,086,011	Yes
	TRANSFORMATIVE HEALTH SYSTEMS-WORLD BANK	1,250,000,000	Yes
	TRANSFORMATIVE HEALTH SYSTEMS- MEDICAL SUPPLIES	432,549,712	Yes
	TRANSFORMATIVE HEALTH SYSTEMS PROJECT	318,928,525	Yes
	EAST AFRICAN CENTRE OF EXCELLENCE-AIA	215,733,375	Yes
	EAST AFRICAN CENTRE OF EXCELLENCE	33,494,150	Yes
	KENYA HEALTH SECTOR SUPPORT	2,732,732,946	Yes
	TOTAL	8,492,926,312	

MINISTRY OF HEALTH
Reports and Financial Statements
For the year ended June 30, 2018

ANNEX 3- REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Budget Execution by Heads and Programmes



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA EDUCATION MANAGEMENT
INSTITUTE

FOR THE YEAR ENDED

30 JUNE 2018

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 02 JUL 2019

DAY

TUESDAY

TABLED
BY:

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MTAMA ROAD, PARKLANDS
P.O. BOX 62592-00200, NAIROBI

KENYA EDUCATION MANAGEMENT

INSTITUTE

ANNUAL REPORT AND FINANCIAL

STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30 JUNE, 2018

Prepared in accordance with the Accrual Basis of accounting method under the international public sector

Accounting standards (IPSAS)

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KEY ENTITY INFORMATION AND MANAGEMENT**(a) Background information**

The Institute is established as the capacity building agency of the Ministry of Education. The address of its registered office is L.R. No 209/3464, Mtama Road Parklands, P.O. Box 62592 00200, Nairobi.

The Institute was given mandate under Legal Notice no. 19 of 2010 to provide regular and systematized educational management and administration training for all categories of educational management and administration personnel in the education service.

Under the legal notice no. 163 of 2011 the Institute changed its name from Kenya Education Staff Institute (KESI) to Kenya Education Management Institute (KEMI)

(b) Principal Activities

The Institute is a body corporate under the Ministry of Education mandated to strengthen the capacity and capabilities of all serving and future educational managers and administrators.

(c) Key Management

Mrs. Grace Ngaca	Mr. Kepher Owino Ogwang
Mr. Maurice Otieno Odondo (DD/CSD)	Mrs. Elizabeth Wangaruro
Mrs. Peris Toroitich (DD/MDD)	Mr. Daniel Kihara Mbugua
Mr. Richard Thomi	Mr. Samuel Ochieng Mawega
Mr. Wycliffe W. Wasike	Mr. Stephen Barkwang
Ms. Purity Kibui	Mr. Stephen Choge
Mr. Vincent Koech	Ms. Nancy Musembi
Mr. Newton Wekesa Wangusi	Ms. Caroline Gicuku Nyaga

(d) Fiduciary Management

Prof. Eunice Mutitu (UoN) (Chairperson)	Mr. Saul Barasa (Kibabii TTC)
Dr. Kipsang R. Belio P.S. M.O.E	Mrs. Nancy Macharia (TSC)
Mr. Kahi Indimuli (KSSHA)	Mr. Shem Ndolo (KEPSHA)
Dr. Julius Jwan (KICD)	Ms. Hawa Mohammed (Private Sector)
Mrs Mutheu Kasanga (Private School)	Mr. Samuel Gitonga (Private Sector)
Mr. Mike Eldon (Private Sector)	Mr. James Wachaga (Aberdare TTC)
Mrs. Grace Ngaca (Ag. Director KEMI)	

(e) Entity Headquarters

L.R. No. 209/3464
Mtama Road,
P.O Box 62592 00200,
NAIROBI.

(f) Entity Contacts

Telephone: 0718 518422
E-mail: info@kemi.ac.ke
Website: www.kemi.ac.ke

(g) Bankers

National Bank of Kenya
Harambee Avenue Branch
P.O Box 41862
Nairobi

Equity Bank Ltd,
Tom Mboya Branch,
P.O Box 10369
Nairobi

(h) Independent Auditors

Auditor - General
Anniversary Towers, University Way
P.O Box 30084 00100
Nairobi.

(i) Principal Legal Advisers

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

THE BOARD OF DIRECTORS



Prof. Eunice Mutitu

Prof. Eunice Mutitu born in 1951 is the Chairperson of the Kenya Education Management Institute Council. She holds a PhD in Plant Pathology, M.Sc. in Plant Pathology, and B.Sc. in Agriculture all from the University of Nairobi. She is a Fulbright Scholar of the Pennsylvania State University in USA and Visiting Scientist of DSMZ, Germany. She is currently a Lecturer at the faculty for Agriculture, the University of Nairobi. She has wide experience in administration having served as Director of the Board of Post Graduate Studies, Coordinator of various University projects and Chairperson, Department of Crop Protection at the University of Nairobi.



Director of the Kenya Education Management Institute, Grace Ngaca. (Joined March 2017)

Grace W. Ngaca, is the Director of the Kenya Education Management Institute. She holds a Master's Degree in Counselling from the University of Nairobi. Post graduate Diploma in Education from Kenyatta University. Bachelor of Arts degree from university of Nairobi. She has wide experience in education management and training having worked for the Ministry of Education head office from 2007 and taught in various schools unto the level of Deputy Principal at Alliance Girls High School.



Dr. Belio R. Kipsang

Dr. Belio R. Kipsang is the Principal Secretary Ministry of Education Science & Technology/State Department of Education. He holds a PhD degree in Education (Education Administration and Planning) from Catholic University of Eastern Africa, Masters of Arts degree in Economics and Bachelor's degree in Education (Business and Economics) both from University of Nairobi. He previously served as Managing Trustee/Chief Executive Officer Coffee Development Fund, Deputy CEO and Head of Operations Higher Education Loans Board. He is a Council Member at Mt. Kenya University and Cooperative University College. He is also a board member Finance Alliance for Sustainable Trade, Council Member Advisory Council for Coffee Initiative, Government Delegate International Coffee Organization and chair Operations Committee, Association of African Higher Education Financing Agencies.



Ms. Hawa Mohammed

Ms. Hawa Mohammed, born in 1965, holds an MBA degree from Catholic University and B.Com degree from USIU. She has extensive experience in international accounting standards and auditing. In addition she has wide experience working with donors and has knowledge of donor requirements of funded projects.



Mrs. Nancy Njeri Macharia

Mrs. Macharia was employed by the Teachers Service Commission in May 1987 as a teacher of English and literature and taught in various schools before joining the TSC secretariat in 1995 as a staffing officer. She rose through the various ranks in the secretariat until her current appointment as the Commission Secretary in July 2015. She has worked in the education sector for more than 28 years. She holds a Master of Education (Policy and Management) degree from Bristol University, UK and a Bachelor of Education degree in English/Literature from Kenyatta University. Mrs Macharia has undergone training both locally and internationally in Corporate Governance, Public Procurement, Policy Formation, Information Communication Technology (ICT), Proactive Management and Business Excellence Models, among others. In addition, she is a member of the Kenya Association of Public Administration Management (KAPAM) and Institute of Directors.



Mr. Mike Eldon

Mr. Mike Eldon is the Chairperson of KCA University Council, born in 1945, holds a Sloan Master's Degree from London Business School and a Bachelor of Economics from the University College London. He has been a member of the Kenya Institute of Management Association, Kenya Private Sector Alliance, Kenya ICT Federation and Rotary Club of Nairobi. He serves as the Founder Chairperson of the DEPOT Management Consultancy, on-executive Director of Davis & Shirtliff, Director of African Institute for Development Policy AFIDEP), Chairperson of ALESEC Kenya Honorary Council and Joint Project Director of Cura Rotary Community Corps. Mr. Eldon has 30 years' experience in change management, human resource development, workshop and strategy and 40 years' experience in the IT industry in the UK, France and Kenya. Mr. Eldon has also been a lead facilitator for the World Bank retreats and strategic management retreats in both public and private sectors.



Ms. Mutheu Kasanga

Ms. Mutheu Kasanga is the Chairperson of Kenya Private Schools Association, Board Member at East Africa Science and Technology Commission, and a Member Board of Trustee, Lukenya University. She holds a M.Ed Management from Oxford Brookes University and a B.Ed from the University of Nairobi. She also Chairs the Education Sector Board at the Kenya Private Sector Alliance and has been a Director at Lukenya Schools for over 17 years.



Mr. Saul Barasa

Mr. Saul Barasa is the Chairperson of Kenya Teachers Colleges Principals Association (KTCPA). He holds a B.Ed (Arts) from Kenyatta University. He is currently the Chief Principal of Kibabii Diploma Teachers Training College.



Mr. James M. Wachaga, OGW

Mr. James Wachaga is the Chairperson Kenya Teachers Colleges Principals Association (KTCPA). He is currently the Chief Principal of Aberdare Teachers Training College. He holds an MBA in Strategic Management. Mr. Wachaga has also taught in many secondary schools and teachers training colleges in Kenya. He was awarded a National Medal OGW on 12th December, 2017.



Mr. Shem Ndolo

Mr. Shem Ndolo is the National Chairman of Kenya Primary Schools Heads Association (KPSHA). He is currently the Principal of Agai Primary School, Kisumu County.



Mr. Samuel G. Mutungi

Mr. Samuel G. Mutungi, born in 1955, holds a M.Sc. (Business Systems Analysis and Design) from the City University (London) and a B.Ed (Mathematics and Business Studies) from University of Nairobi. He is currently a Consultant in ICT and Banking. He has wide experience in banking having worked as a Director at Co-operative Bank of Kenya for over 16 years. He has 8 years' experience as a Computer Services Manager at Glaxo East Africa. In addition he has been a lecturer for over 6 years at Kenya Polytechnic. He is a Fellow of the Kenya Institute of Bankers and Fellow Kenya Computer Society and a member of Paul Harris Fellow (Rotary International).



Dr. Julius Jwan

Dr Julius Jwan is the Director/CEO at the Kenya Institute of Curriculum Development (KICD). He holds a PhD Degree in Educational Leadership & Management and a Master of Science (MSc) Degree in Educational Research Methods – both from the UK. He also holds a Master of Philosophy (MPhil) Degree in Education Communication & Management from Norway and another Master Degree in Linguistics from Moi University where he also graduated with a Bachelor of Education Degree.

He has attended short fellowships such as; Education for Sustainable Peace (Germany); Enhancing Governance and Financial Administration in Africa (Botswana); Transitional Justice and Governance in Africa (South Africa); Reconciliation as Process and Practice (Sweden); Democratic Governance for Development in Africa (Uganda), among others.

Dr Jwan has published widely on educational leadership and management in international journals and book chapters. He has also published three books on educational leadership and management and qualitative research methods. He is the winner of British Educational Leadership, Management and Administration Society (BELMAS) Best Doctoral Thesis Award, 2011.

Prior to joining KICD, he was the Director – Programmes and Technical Services at the National Cohesion and Integration Commission (NCIC). He was also lecturer at Moi University and a teacher at a secondary school and Teachers' Training College.



Mr. Indimuli Kahi

Mr. Indimuli Kahi OGW is the current president African Confederation of Principals, National Chairman of Kenya Secondary Schools' Heads Association (KESSHA). He is also a council member of the International Confederation of Principals.

He holds a Masters of Business Administration (MBA) in Strategic Management from University of Nairobi and a Bachelor's Degree in Education (B.Ed.) from Kenyatta University.

MANAGEMENT TEAM



Director of the Kenya Education Management Institute, Mrs. Grace Ngaca

Responsible for the running of the Institute to ensure that the mission is achieved and efficiency of the Institute is achieved. She is the Accounting Officer of the Institute. In addition, she is the Secretary to the Council and Chairperson of the Senior Management Committee. Also responsible for spearheading partnerships of the Institute. Departments: All Divisions and Internal Audit administratively though it reports to the Council.



Deputy Director – Corporate Services, Mr. Maurice Otieno Odondo, MBA (Strategic Management), B.Ed (Arts).

Responsible for overall administrative operations of the Institute. In charge of optimized operational programs to guarantee quality service delivery. Divisions: Enterprises, Legal and Administration.



Head of Human Resource Training, Mrs Peris Toroitich.

A trainer at Kenya Education Management Institute (KEMI). She is currently the Head of department of Human Resource and Entrepreneurship in the Institute. She holds a degree in Education (BED) majoring in Economics. She holds a master's degree in Business Administration majoring in Human Resource Management from Daystar University and higher Diploma in Human Resource Management from Institute of Human Resource Management (IHRM).



Head of Media, Research and Marketing, Mr. Wycliffe W. Wasike, M.A (Communication), B.Ed.

Responsible for planning and implementation of the media, research and Consultancy, and marketing programs of the Institute. In charge of ensuring effective communication, publicity and M&E towards achieving corporate objectives. In addition he is in charge of the Corporate Social Responsibility (CSR) program. Departments: Media, Research and Consultancy, Marketing.



Head of Enterprises, Mr. Richard Thomi, B.Com (Accounting option), CPA (K).

Responsible for resource mobilization in the Institute. In charge of planning, sourcing and management of the Enterprises to achieve financial resources towards building self-sufficiency. Departments: Hospitality, Bookshop, hotel and Printing Press.



Head of ICT Training, Ms. Purity Gathigia Kibui, M.A (Education Philosophy), M.ED (Education Administration), B.Ed

Responsible for managing the ICT programs of the Institute. In charge of planning, sourcing and implementing the ICT programs. In addition she is the ISO 9001:2008 QMS Management Representative and a member of the ICT integration team of the Ministry of Education, Science and Technology. Departments: ICT and ISO.



Head of Finance & Accounts, Mrs. Elizabeth Mwihaki Wangaruro, MBA (Finance), B.Com (Finance), CPA (K).

Responsible for the Institute's finances. In charge of planning, sourcing and managing financial resources to achieve corporate objectives. Responsible for the prudent use of institutional resources including credit management. Departments: Accounts and Credit management.



Head of ICT Maintenance, Mr. Vincent Koech, MSc (Computer Science), BSc (Information Technology), Diploma (Information Technology), MCITP, CCNA, ISMS & QMS.

Responsible for ICT Systems Administration and Maintenance. With over 10 years' experience in the field of ICT. His main ICT Research areas of interest includes but not limited to: - Artificial Intelligence, Design & Analysis of Algorithms and Information Security Management Systems.



Head of Procurement Training, Mr. Stephen Choge.

Stephen Choge is currently a trainer at Kenya Education management Institute (KEMI) and the HOD Finance & Supply Chain Management. He holds a master of education in Planning Management and Administration, B.ED and Certificate in Primary Teacher Education and currently he is pursuing PhD in Educational Planning.



Head of Admissions, Mr. Stephen Barkwang.

The HOD Admissions and currently pursuing PhD in Education Administration at Kenyatta University. He holds Master of Education Management from the Egerton University and Bachelors of Education (Arts) from University of Nairobi. He specializes in Education Management, Curriculum Management, Education for Sustainable Development, Contemporary issues in Education Management, Best management Practices in Education Management and Innovations.



Head of Administration, Mr. Newton Wekesa Wangusi, Executive MBA (Human Resource Management and General Administration), Certified Public Secretaries of Kenya (CPS K).

Responsible for administrative operations of the Institute. In charge of optimized administration and maintenance of programs to achieve corporate objectives. Ensures efficient and synchronized administration and maintenance operations. Departments: Transport, Grounds and Customer Care.



Head of Hospitality Training, Ms. Nancy Kaseki Musembi

Nancy Kaseki Musembi is the Hospitality Manager for the Kenya Education Management Institute. She holds a Higher National Diploma in Catering and Accommodation Management, BSc Hospitality Management and currently pursuing Master's Degree in Hospitality Management. Nancy is in charge directing and co-ordinating all activities at the centre by directly supervising all section heads and ensuring proper completion of all tasks in the various sections. Supervising and advising all human resource matters pertaining to the, supervision, discipline, training and development of staff.



Head of KLRC, Ms. Caroline Gicuku Nyaga

Caroline Nyaga is the Head of Unit LRC, Admissions and examinations, IFLA 2013 Fellow.

She holds a BSC Information Science from Moi University and currently pursuing Masters of Philosophy in information Science.



Head of Human Resource, Mr. Kepher Owino Ogwang, Higher Diploma in Human Resource Management.

Responsible for human capital planning, recruitment, performance management, reward, wellness and employee relations. In charge of legal affairs and safeguarding the Institutes interests. In addition, he is responsible for compensation administration, staff housing and registry.



Head of Internal Audit, Mr. Samuel Ochieng Mawega, CPA Part III

Responsible for the provision of Internal Auditing and advisory services to internal Management, assisting in controlling risk and monitoring compliance. In addition, he is the secretary to the Audit Committee of the Board. Member of ICPAK.



Head of Procurement, Mr. Daniel Mbugua.

Responsible for the procurement and inventory management in the institute. In charge of purchasing, supply chain and logistics to achieve corporate objectives. In addition he is the secretary to the Tender Committee of the Institute.

CHAIRPERSON'S STATEMENT

We are pleased to showcase our successes for 2017/2018 in this annual report. The institute increased its focus on capacity development in education management by improving access to training programs while improving quality. These programs we know drive education quality and have the greatest impact on education service delivery.

KEMI's proven strategy – well executed by a strong management team and 91 employees contributed to the success of the institute's capacity development program.

Effective corporate governance was and continues to be an important foundation for KEMI's strong performance and is fundamental to our success. Corporate governance provides proper oversight and accountability, strengthens internal and external relationships, and builds trust with our clientele.

I would like to thank the KEMI council and management team for the achievements made in 2017/2018. I am truly privileged to work with this team, which brings commitment and enthusiasm to work and carries it forward to enrich our clientele.

Thank you, our education managers, for your confidence in us, which helps fuel the momentum towards an ever brighter future for KEMI.

Looking forward, we recognize not only the accomplishments of this institution, but also recognize the immense opportunities that lie ahead. As a Council we reemphasize our commitment towards transforming the education sector through innovative capacity development programs.

As we now direct our attention to 2018/2019, we look forward to the future because we are confident that KEMI will remain focused on delivering strong results.



Prof. Eunice Mutitu

Chairperson

KEMI COUNCIL

DIRECTOR STATEMENT

Much of our work in Kenya Education Management Institute (KEMI) focuses on developing the capacity of education managers to meet the 21st century challenges. As we present our 2017/2018 annual report, it is worth pausing to consider a question fundamental to KEMI'S mission: Why capacity development? At KEMI our capacity development program is about understanding the issues that inhibit education managers from realizing educational goals while enhancing their knowledge and skills that will enable them to achieve measurable and sustainable results.

We have always focused on capacity development which takes place both at individual and constitutional level. At individual level we develop and enhance the managerial knowledge and skills of education managers; while at the institutional level, we concentrate on facilitating educational managers towards developing managerial tools such as policies, strategic plans aimed at modernizing their educational institutions.

It is worth noting that in the previous years, 84% of School heads and Deputies have been taken through the Diploma in Education Management. In regard FY 2017/2018, the Institute has made great achievements in inducting the newly appointed heads of schools and deputies. Groups that were taken through the Diploma in Education Management include among others; Quality Assurance and Standards Officers, Adult Education Officers and Technical and Vocational Managers.

We are confident that operational and financial performance will improve further during 2018/2019 enabling us to achieve our set targets for the year.

In conclusion, I am grateful to our staff and participants of our programs for their dedicated efforts and for the way they have embraced our new culture of innovation and excellence. Special gratitude goes to the Ministry of Education (MOE), Teachers Service Commission and Development partners for their continued support.



Mrs. Grace W. Ngaca

Ag. Director/CEO

CORPORATE GOVERNANCE STATEMENT

The Council is committed to excellence in corporate governance, transparency and accountability. This is essential for the long term performance and sustainability of our institution, and to protect and enhance the interests of our clients and other stakeholders. The Council regularly reviews the governance arrangements as well as developments in the education sector, expectations and regulations. The council recognizes its mandate to direct and be held accountable for building the capacity of managers in the education sector.

Compliance

The Council is compliant with the provisions of but not limited to the following Acts and regulations: KEMI Legal Notice 19/2010, Education Act No. 14 of 2013, Occupational Safety Health Act and Public Procurement & Disposal Act 2005. Further, KEMI continues to be ISO certified on ISO 2001: 2008 quality management system.

Council composition

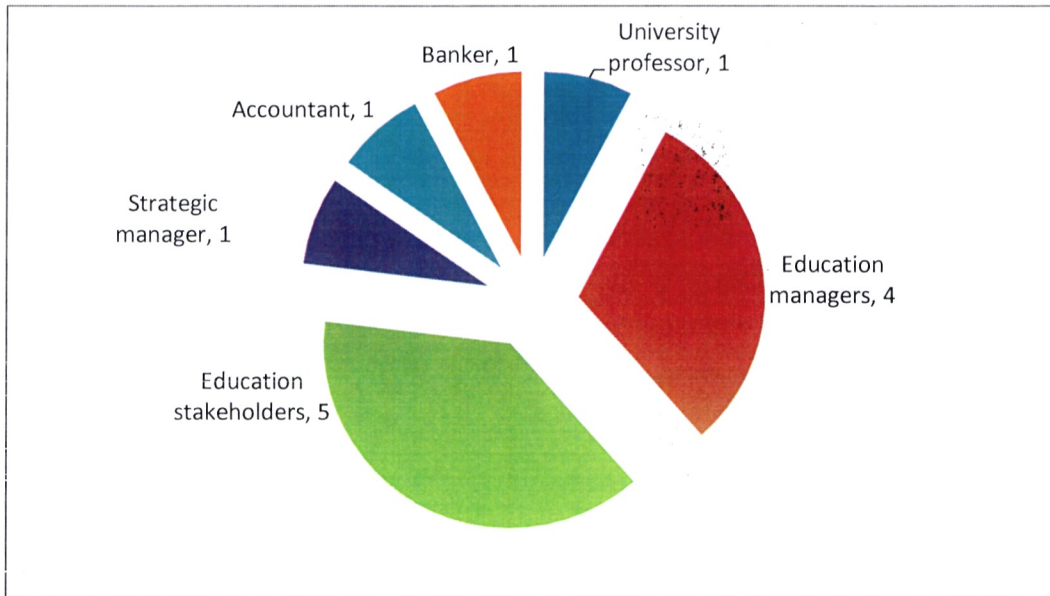
The Council consists of 13 members led by a non-executive and independent Chairperson as follows:

No	Name	Position
1.	Prof. Eunice Mutitu	Chairperson
2.	Dr. Belio Kipsang	PS/MOEST
3.	Mrs. Grace W. Ngaca	Director/KEMI
4.	Mr. Julius Jwan	Director/KICD
5.	Mrs. Nancy Macharia	Secretary/CEO/TSC
6.	Mr. Kahi Indimuli	Representative Kenya Secondary School Heads Association
7.	Mr. Shem Ndolo	Representative Kenya Primary School Heads Association
8.	Mr. James Wachaga	Representative Kenya Association for Primary Teachers Training Colleges
9.	Mr. Saul Barasa	Representative Kenya Diploma Colleges Principals Association
10.	Ms. Hawa Mohammed	Four persons, not being civil servants, appointed by the Cabinet Secretary by virtue of their knowledge in matters related to education
11.	Mr. Mike Eldon	
12.	Mrs. Mutheu Kasanga	
13.	Mr. Samuel G. Mutungi	

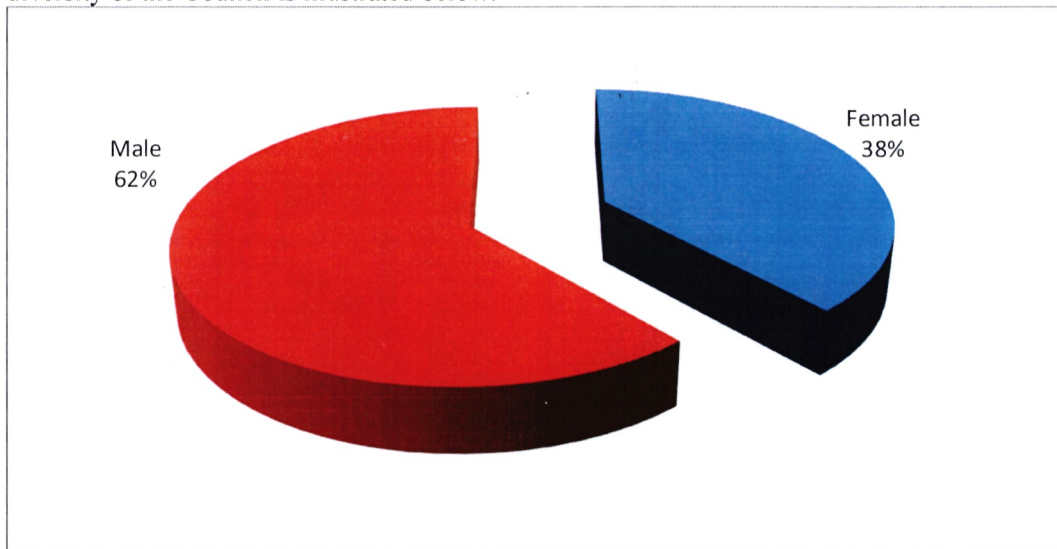
Council diversity

The Council diversity is as follows:

The professional diversity of the board is presented below:



The gender diversity of the Council is illustrated below:



The biographies of the Council members are published in subsequent pages.

Separation of powers

The independence of the Council from the institutions corporate management is ensured by the separation of the functions of the Chairperson and the Director/CEO and a clear definition of their responsibilities. This helps the institution in achieving an appropriate balance of power, increased accountability and improved decision-making.

Responsibilities of the Council

The responsibilities of the Council are spelt out in the KEMI Legal Notice 19/2010. The functions and powers of the Council shall be to-

1. Formulate, with the approval of the Cabinet Secretary, policies pertaining to the management and implementation of the objects of the Institute;
2. Administer the property and funds of the Institute in such manner and for such purposes as shall best promote that interests of the Institute; Provided that the Council shall not dispose of the immovable property of the Institute without the approval of the Cabinet Secretary;
3. Receive, on behalf of the Institute, donations, endorsements, gifts, grants or other monies, and other monies, and to make legitimate disbursements therefrom;
4. Borrow, generate and raise funds for the purposes of the Institute;
5. Appoint suitable staff of the Institute upon such terms and conditions as it may determine;
6. Receive reports from the Director or any officer of the Institute in respect of financial and other circumstances of the Institute, and to direct any action to be taken by the Director or such officer;
7. Establish facilities in any place (whether in or outside Kenya) for the better discharge of its functions and responsibilities under this Act; and purpose of the Institute.

Each council member is aware of the Institutions vision, mission, and core values and participates in deciding on the structure and procedures to achieve the strategic objectives of the institute.

On quarterly basis, the Council considers reports from the board committees, operational reports from the Director/CEO of the institute including specific proposals on strategic issues.

Council Remuneration

Council Allowances are paid in line with the State Corporations Regulations Circular No.OP/CAB.9/21/2A/III/43 dated 23rd November 2004 as follows:

Position	Current Allowance (Kshs.)
Chairperson	80,000.00 per month
Chairperson/Committee	20,000.00 per sitting
Members	15,000.00 per sitting

Conflict of interest and Declaration of interest

Council members have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the institution.

Each member of the board is obligated to fully disclose to the Council any real or potential conflict of interest, which comes to his/her attention, whether directly or indirectly.

Council members must declare any conflict of interest they may have, and in certain circumstances, they must abstain from participating in any discussion or voting on matters in which they have a material personal interest.

Council members from Institutions that were undertaking training programs that were in conflict with those of KEMI were requested not to do so.

Board Committees

The Council is made up of 5 committees:

1. Audit
2. Business/Strategy/Development
3. Training
4. Finance and General Purpose Committee
5. Human Resource Development

Report of the Chairperson of the Audit Committee



Ms. Hawa Mohammed

Membership:

The Audit Committee is made up of the following members:

1. Ms. Hawa Mohammed – Chairperson
2. Mr. Shem Ndolo
3. Dr. Belio Kipsang
4. Mr. Kahi Indimuli
5. Mr. Saul Barasa

Mandate:

The Audit Committee:-

- (i). Reviews the impact of significant accounting and reporting issues such as professional and regulatory pronouncements;
- (ii). Assesses if generally accepted accounting principles have been consistently applied within preparation of preliminary announcements and interim financial statements;
- (iii). Is responsible for the internal audit and risk management function by ensuring management acts on audit and risk management reports;
- (iv). Confirms that all regulatory compliance is considered in the preparation of financial statements; and
- (v). Reviews the process for monitoring compliance with the Institute's ethical guidelines.

Report of the Chairperson of the Business/Strategy/Development Committee



Mr. Mike Eldon

Membership

The Business/Strategy/Development Committee is made up of the following members:

1. Mr. Mike Eldon
2. Mr. Samuel G. Mutungi
3. Mrs. Mutheu Kasanga
4. Mr. James Wachaga
5. Mrs. Grace W. Ngaca

Mandate

The Strategy Committee:

- (i). Assists the Board in discharging its oversight duties with respect to the overall strategic direction of the Institution, operational performance and organizational health;
- (ii). Reviews the Institution's Strategy and investment policies and makes recommendations to the Board on strategy adjustment. It also assesses the progress of the Institution's Strategy execution through identification of priority areas. The Committee monitors, evaluates and oversees the Institution's health including the review of financial and business plans and the overall Institution Performance Management System.

Report of the Chairperson of the Training Committee



Mrs. Nancy Macharia

Membership

The Training Committee is made up of the following members:

1. Mrs. Nancy Macharia – Chairperson
2. Mr. John Awiti
3. Mr. Shem Ndoio
4. Mr. James Wachaga
5. Mrs. Mutheu Kasanga
6. Mrs. Grace W. Ngaca

Mandate:

The training committee:

- (i). Assists the Board in discharging its oversight duties with respect to the overall strategic direction of the capacity development program of the institute;
- (ii). Review the progress of the institutions capacity development programs and give advice and recommendations in relation to these programs..

Report of the Chairperson of the Finance and General Purposes Committee



Mr. Shem Ndolo

Membership

The Finance and General Purpose Committee is made up of the following members

1. Mr. Shem Ndolo – Chairperson
2. Dr. Belio Kipsang
3. Mr. Samuel G. Mutungi
4. Ms. Hawa Mohammed
5. Mrs. Grace W. Ngaca

Mandate:

The committee:-

- (i). Assists the council in discharging its oversight duties with respect to the overall financial health and integrity of the organization.
- (ii). Reviewing the financial plans and policies of the institution and monitoring the financial performance of the institution.

Report of the Chairperson of the Human Resource Development Committee



Dr. Julius Jwan

Membership

The Human Resource Committee is made up of the following members:

1. Dr. Julius Jwan – Chairperson
2. Mrs. Nancy Macharia
3. Dr. Belio Kipsang
4. Ms. Hawa Mohammed
5. Mrs. Grace W. Ngaca

Mandate

The Committee monitors the policies and practices of KEMI in relation to the Human Resources, offers advice and recommendations on the Institute's human resource strategies, initiatives and policies; and the recruitment and remuneration of staff.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Management is committed to excellence in corporate governance, transparency and accountability. This is essential for the long term performance and sustainability of our institution, and to protect and enhance the interests of our clients and other stakeholders. The management regularly reviews the management arrangements as well as developments in the education sector, expectations and regulations. The management recognizes its functions to plan, organize coordinate and direct capacity building of managers in the education sector.

REPORT OF THE DIRECTORS/COUNCIL**FOR THE YEAR ENDED 30 JUNE, 2018**

The Council submit their report together with the audited financial statements for the year ended 30 June, 2018 which shows the state of the entity affairs.

Principal activities

The Principal activity of the institute is that of training education managers in the Education sector.

RESULTS FOR THE YEAR

	<u>2018</u>	<u>2017</u>
	Kshs	Kshs
Surplus for the year	13,173,578	28,862,117
Surplus for the year carried to retained earnings	13,173,578	28,862,117

BY ORDER OF THE COUNCIL

DIRECTOR

COUNCIL CHAIR

STATEMENT OF COUNCIL'S RESPONSIBILITIES

FOR THE YEAR ENDED 30 JUNE, 2018

The State Corporation's Act requires the Council to prepare financial statements for each year, which give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of its operating results for that year. It also requires the council to ensure the Institute keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute. They are also responsible for safeguarding the assets of the Institute.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the State Corporation's Act. The council is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the institute and of its operating results.

The council further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approved by the council on 28/09/2018 and signed on its behalf by:



Director



Council Chair

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA EDUCATION MANAGEMENT INSTITUTE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Education Management Institute set out on pages 1 to 13 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amount 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 Kenya Education Management Institute as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the Education Act, Cap 211 of the Laws of Kenya.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Land

As reported in the previous years, the property, plant and equipment balance of Kshs.2,366,019,857 as at 30 June 2018 includes the Institute's parcel of land L.R No.16124 measuring 15.45 hectares at Kayole in Nairobi valued at Kshs.2,050,000,000 which according to information availed has been partially encroached by squatters. Although the management had contracted a law firm on 18 October 2010 to seek court orders for the eviction of the squatters, and notice of eviction put on nationwide newspapers on 28 November 2017, the matter had not been resolved as at the date of this report.

Consequently, the value of property, plant and equipment of Kshs.2,366,019,857 is impaired to the extent of the land encroached on by squatters and as result, it has not been possible to ascertain that the property, plant and equipment balance of Kshs.2,366,019, 857 is fairly stated as at 30 June 2018.

2. Receivables from Exchange Transactions

As reported in previous years, as disclosed in note 9 to the financial statements, the receivables from exchange transactions balance of Kshs.36,909,124 as at 30 June 2018, includes debts totalling Kshs.26,918,536 which have been outstanding for over four (4) years and whose recoverability is doubtful. The provision for bad and doubtful debts of Kshs.1,141,519 made in these financial statements appears to be inadequate.

In the circumstances, it has not been possible to confirm the full recoverability of receivables from exchange transactions balance of Kshs.36,909,124 as at 30 June 2018. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Education Management Institute in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Ineligible Administrative Expenses

As similarly reported in year 2012/2013, the administrative expenses figure of Kshs.154,318,033 included an amount of Kshs.5,273,360 paid to a consultant in respect of services for mid-term review of Kenya Education Sector Support Programme (KESSP). However, supporting documents attached to the payment indicated that the services were tendered and procured by the Ministry of Education. Further, an audit on Kenya Education Sector Support Programme as at 30 June 2013, revealed that it had no operations during that year. It was therefore not clear how a mid-term review was done on a project that was dormant during that year or why the expenditure of Kshs.5,273,360 was not charged to the Ministry of Education. A review of the matter during the current year indicated that the matter had not yet been resolved as at 30 June 2018. In the circumstances the propriety of expenditure totaling Kshs.5,273,360 incurred in year 2012/2013 could not be ascertained to date. These matters were addressed in the context of the audit of the financial statements as a whole and in forming my opinion thereon, and do not provide a separate opinion on the matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, 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.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed except for the matters described in the Basis for Qualified Opinion section of my report, 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.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to liquidate the Institute or to cease operations, or have no realistic alternative but to do so. 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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of

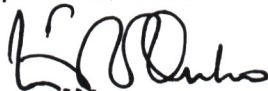
effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern 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 ability of the Institute to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 March 2019

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018**

	<u>Notes</u>	<u>2018</u> Kshs	<u>2017</u> Kshs
Revenue from non - exchange transactions	2	92,000,000	129,734,391
Revenue from exchange transactions	3	98,687,744	115,623,661
Total Revenue		<u>190,687,744</u>	<u>245,358,052</u>
Expenses			
Staff Costs	4	80,804,573	78,822,273
Administrative expenses	5	95,581,939	136,677,902
Council Expenses	6	1,075,000	465,000
Finance Cost	7	52,656	530,760
Total Expenses		<u>177,514,167</u>	<u>216,495,935</u>
Surplus for the period		<u><u>13,173,578</u></u>	<u><u>28,862,117</u></u>

The notes set out on pages 7 to 12 form an integral part of these Financial Statements

KENYA EDUCATION MANAGEMENT INSTITUTE
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018


**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	<u>Notes</u>	<u>2018</u> Kshs	<u>2017</u> Kshs
Assets			
Current assets			
Cash and cash equivalent	8	69,655,964	37,738,221
Receivables from exchange transactions	9	36,909,124	47,605,974
Receivables from non-exchange transactions	10	-	-
		106,565,087	85,344,194
Non - current assets			
Property, plant and equipment	11	2,366,019,857	2,374,231,362
Total assets		2,472,584,944	2,459,575,556
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	12	3,508,252	3,672,442
Deffered Development Grant	13	-	-
		3,508,252	3,672,442
Non-Current liabilities		-	-
Total Liabilities		3,508,252	3,672,442
Net Assets			
Revaluation Reserve	14 (i)	2,284,463,085	2,284,463,085
Capital Reserve	14(ii)	44,164,375	44,164,375
Retained earnings	14(iii)	140,449,232	127,275,655
Total Net Assets		2,469,076,692	2,455,903,115
Total Net Assets and Liabilities		2,472,584,944	2,459,575,556

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

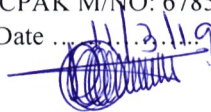
Director KEMI
Name: Grace Ngaca (Mrs)

Date

 11/3/19

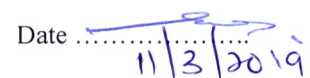
Head of Finance
Name: Richard Thomi
ICPAK M/NO: 6785

Date

 11/3/19

Chairman of the Board
Name: Prof. Eunice Mutitu

Date

 11/3/2019

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018**

	REVALUATION RESERVE	CAPITAL RESERVE	RETAINED EARNINGS	TOTAL
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
At July 1, 2016	2,284,463,085	39,227,500	98,413,538	2,422,104,123
Development Grant	-	5,401,875	-	5,401,875
Surplus for the year	-	-	28,862,117	28,862,117
At June 30, 2017	<u>2,284,463,085</u>	<u>44,629,375</u> *	<u>127,275,655</u>	<u>2,456,368,115</u>
At July 1, 2017	2,284,463,085	44,164,375 *	127,275,655	2,455,903,115
Development Grant	-	-	-	-
Surplus for the year	-	-	13,173,578	13,173,578
At June 30, 2018	<u>2,284,463,085</u>	<u>44,164,375</u>	<u>140,449,233</u>	<u>2,469,076,693</u>

*Restatement of Retained Earnings opening balance of Ksh. 98,413,538 as a result of Grant erroneously recognised as Revenue from Non Exchange transactions of Ksh. 11,838,208 carried over the years now reversed vide JE 1-2017/2018. See note 10

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	<u>Notes</u>	<u>2018</u> Kshs	<u>2017</u> Kshs
Cash flows from Operating Activities			
Net Surplus/Loss before tax		13,173,578	28,862,117
<i>Adjustment for:</i>			
Depreciation	11	13,522,165	13,669,213
<i>Operating (Deficit)/Surplus before working capital changes</i>		26,695,743	42,531,330
Decrease in debtors	9	10,696,850	13,630,742
Decrease in payables	12	(164,190)	(13,192,931)
Decrease in Deferred Grant & Fees	13	-	(32,332,516)
<i>Cash generated from operations</i>		37,228,403	10,636,625
Net cash from operating activities		37,228,403	10,636,625
Cash flows from Investing Activities			
Purchase of Fixed Assets	11	(5,310,660)	-
Development Grant received		-	5,401,875
<i>Net cash used in investing activities</i>		(5,310,660)	5,401,875
Cash flows from Financing Activities			
		-	-
Net Increase in cash and cash equivalents		31,917,743	16,038,500
Cash and cash equivalents			
At the beginning of the year		37,738,221	21,699,721
At end of year		69,655,964	37,738,221

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018**

	Original Budget Kshs	Adjustments Kshs	Final budget Kshs	Actual on		Performance		Variance %	Reason
				Comparable Basis Kshs	Difference Kshs				
Revenue									
Government of Kenya (GOK)	92,000,000	-	92,000,000	92,000,000	-	0			
Government of Kenya - Deferred Grant	28,158,706	-	28,158,706	30,195,604	(2,036,898)				
Income Generating Activities	130,719,778	-	130,719,778	84,953,189	45,766,589	35			
Total Income	250,878,484	-	250,878,484	207,148,793	43,729,691				
Recurrent Expenditures									
Basic Salaries	54,750,000.00	-	54,750,000.00	47,613,059	7,136,941	13	Did not recruit as anticipated		
House allowance	18,000,000.00	-	18,000,000.00	15,960,250	2,039,750	11	Did not recruit as anticipated		
Leave allowance	450,000.00	-	450,000.00	376,000	74,000	16	Did not recruit as anticipated		
Allowances on extra responsibilities	600,000.00	-	600,000.00	756,737	(156,737)	-26			
Commuter allowance	5,400,000.00	-	5,400,000.00	5,028,000	372,000	7	Staff forfeited their medical allowance to enjoy medical cover		
Medical Allowance	0.00	-	0.00	-	-				
Employers NSSF	300,000.00	-	300,000.00	221,000	79,000	26	Did not recruit as anticipated		
Employers Pension	13,000,000.00	-	13,000,000.00	10,278,202	2,721,798	21	Did not recruit as anticipated		
Casual Wages	600,000.00	-	600,000.00	571,325	28,675	5			
Finance cost	200,000.00	-	200,000.00	52,656	147,345	74	The vehicle that need major repairs was not repaired as the amount quoted in the Report from Public Works was less than that given by the dealer		
Operating & maintenance of motor vehicles									
Refined fuel & lubricants for transport	2,800,000.00	-	2,800,000.00	1,742,158	1,057,842	38	Reduced travel due to curtailed tutorials		
Foreign Travel	2,600,000.00	-	2,600,000.00	2,091,610	508,390	20	Reduced Funds		
Domestic Travel	1,000,000.00	-	1,000,000.00	-	1,000,000	100			
Postal & Telegram	1,000,000.00	-	1,000,000.00	1,534,720	(534,720)	-53			
Insurance cover	167,475.00	-	167,475.00	10,960	156,515	93	Use of technology in communication services		
Vehicle insurance	4,500,000.00	2,500,000	7,000,000.00	6,301,795	698,205	10	Increased NHIF rates		
Workmans compensation	0.00	-	0.00	-	-	0	Challenge in insuring GK vehicles		
Telephone & Airtime	350,000.00	-	350,000.00	267,657	82,343	24	Reduced staff through retirement		
Board Expenses	1,776,302.00	-	1,776,302.00	95,000	1,681,302	95	Use of bulk SMS and short codes when dealing with participants instead of calling them		
Electricity	2,500,000.00	-	2,500,000.00	1,075,000	1,425,000	57	The Council was constituted for only 6 months of the Financial Year		
Water & Sewerage	5,000,000.00	-	5,000,000.00	4,828,579	171,421	3			
Internet Services	1,200,000.00	-	1,200,000.00	1,403,545	(203,545)	-17	Increased use of the hostels		
Sub Totals	1,447,836.00	-	1,447,836.00	1,101,996	345,840	24	Fewer participants in training		
	117,641,613	2,500,000	120,141,613	101,310,248	18,831,365				

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018**

	Original Budget Kshs	Adjustments Kshs	Final budget Kshs	Actual on		Performance Difference Kshs	Variance %	Reason
				Comparable Basis Kshs	Basis Kshs			
Recurrent Expenditures								
Gas/fuel	763,025.00	-	763,025.00	1,066,700		(303,675)	-40	Increased charcoal prices
Printing & Publishing	970,250.00	-	970,250.00	65,207		905,043	93	Fewer participants in training
Purchase of uniforms/ curtains	949,575.00	-	949,575.00	-		949,575	100	Reduced Funds
Human Resource Development	1,200,000.00	-	1,200,000.00	1,295,960		(95,960)	-8	Increased staff training needs
Advertisement, CSR & Publicity	1,500,000.00	-	1,500,000.00	1,107,175		392,825	26	Reduced funding from GOK
Plant & Machinery maintenance	1,310,000.00	-	1,310,000.00	1,371,230		(61,230)	-5	
Building & Stations maintenance	5,058,680.00	-	5,058,680.00	5,727,111		(668,431)	-13	
Other operating expenses	200,000.00	-	200,000.00	239,904		(39,904)	-20	
Contracted Professional services	4,400,000.00	-	4,400,000.00	3,460,800		939,200	21	Reduced funding from GOK
Library Services	1,265,750.00	-	1,265,750.00	875,120		390,630	31	Reduced funding from GOK
Office stationery	1,954,720.00	-	1,954,720.00	699,189		1,255,531	64	Less participation of trainee
Food & Ration	15,812,166.00	-	15,812,166.00	12,925,835		2,886,331	18	Reduced hire of KEMI facilities
Audit fee	660,000.00	-	660,000.00	660,000		-	0	
Training ODFL	44,204,000.00	-	44,204,000.00	31,015,513		13,188,487	30	Less participation of trainee
Depreciation	13,500,000.00	-	13,500,000.00	13,522,165		(22,165)	2	
Sub Totals	93,748,166	-	93,748,166	74,031,909		19,716,257		
Recurrent Sub Totals	211,389,779	2,500,000	213,889,779	175,342,157		38,547,622		
Development Expenditures								
Purchase of Plant & Machinery	1,610,000.00	0.00	1,610,000.00	-		1,610,000	100	development
Purchase of Furniture & Fittings	120,000.00	0.00	120,000.00	50,000		70,000	58.33333333	development
Consultancy Services	2,000,000.00	0.00	2,000,000.00	1,752,250		247,750	12.3875	
Research & Development	1,000,000.00	0.00	1,000,000.00	-		1,000,000	100	development
ICT & Media Equipment	3,260,000.00	0.00	3,260,000.00	-		3,260,000	100	development
Motor Vehicles	5,000,000.00	0.00	5,000,000.00	4,900,000		100,000	2	development
Sub Totals	12,990,000	-	12,990,000	6,702,250		6,287,750		
Total Expenditure	224,379,779	2,500,000	226,879,779	182,044,407		44,835,372		
Surplus for the period	26,498,705	(2,500,000)	23,998,705	25,104,386		(1,105,681)		

XIV. NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 30 JUNE, 2017****1.1 Statement of compliance and basis of preparation – IPSAS 1**

The financial statements are prepared in compliance with International Public sector accounting standards (IPSAS). The financial statements are presented in functional currency, Kenya Shillings (Kshs), which is the functional and reporting currency of the Institute.

The accounting policies have been consistently applied in all years presented.

The financial statements have been prepared on the basis of historical cost unless stated otherwise.

The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

1.2 Summary of Significant Accounting Policies

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

1.2.1 Depreciation

All property, plant and equipment are initially recorded at cost. Depreciation is calculated to write off the cost of asset in equal annual instalments over their estimated useful lives. Annual rates generally in use applied on a reducing balance basis are:

Furniture & Fittings & equipment	12.5%
Motor Vehicles	25.0%
EDP Equipment	33.0%
Plant & Machinery	10.0%
Building	2.5%

1.2.2 Payables

Payables are stated at nominal value.

1.2.3 Receivables

Receivables are stated at the expected realisable value. Provision for Bad and Doubtful Debts has been provided at the rate of 3% of the Annual Receivables.

1.2.4 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand and bank balance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2018</u> Kshs	<u>2017</u> Kshs
2 REVENUE FROM NON-EXCHANGE TRANSACTIONS		
Ministry of Education	92,000,000	92,000,000
Deffered Grant	-	37,734,391
	<u>92,000,000</u>	<u>129,734,391</u>
3 REVENUE FROM EXCHANGE TRANSACTIONS		
Training Fees Income	39,955,501	60,773,553
Hire of Facility	51,798,825	47,324,779
Rent Income	5,466,520	5,404,000
Consultancy	570,400	338,800
Bookshop	22,000	26,000
Conference	-	480,000
Printing Press	226,820	469,800
Sundry Income	10,848	20,000
Staff Lunch	306,000	407,500
Decrease in Provision for receivables	330,830	379,229
	<u>98,687,744</u>	<u>115,623,661</u>
4 STAFF COSTS		
Salaries	47,613,059	47,182,941
House Allowance	15,960,250	16,864,000
Medical Allowances	-	329,680
Leave Allowanc	376,000	410,000
Comuter Allowance	5,028,000	5,408,000
Entertainment,Extreneous,Risk &Other Allowances	756,737	999,470
Gratuity	-	-
Employer NSSF	221,000	283,800
Employer Pension	10,278,202	7,263,267
Casual Wages	571,325	81,115
	<u>80,804,573</u>	<u>78,822,273</u>
5 ADMINISTRATIVE EXPENSES		
Contracted Professional Services	3,460,800	4,686,750
Security Allowance	125,000	168,000
Provision for audit fees	660,000	660,000
Audit Fee	660,000	-
Club Membership	-	31,500
Motor Vehicle Repairs	1,742,158	701,047
Refined Fuel and Lubricants	2,091,610	2,767,070
Maintenance & Repairs of Buildings	5,727,111	4,022,992
Maintenance of Plant, Machinery & Equipment	1,371,230	2,543,454
Gas	26,650	37,250
Other Fuels	1,040,050	706,500
Domestic Travel	1,534,720	1,486,555
Foreign Travel	-	697,274
Insurance Cover	6,569,452	4,240,417
Telephone,Postage & Internet	1,207,956	1,333,739
Electricity and water	6,232,124	5,497,455
Library, Newspapers & Magazines	875,120	1,159,390
Gabage Disposal	19,350	35,100
Stationery	699,189	1,160,880
Food & Rations	12,925,835	15,739,050
Staff Uniform	-	612,000
Printing	65,207	169,895
Advertisement, CSR & Publicity	1,107,175	559,321
Training Programes Expenditure	31,015,513	72,973,187
Human Resource Development	1,295,960	859,963
Other Operating expenses	239,904	159,900
EDP Expenses	1,367,660	-
Increase for provision for receivables	-	-
Depreciation : Property plant and equipment (Note 11)	13,522,165	13,669,213
Provision for bad and doubtful debts	-	-
	<u>95,581,939</u>	<u>136,677,902</u>

* Training Fees Income is accounted for on cash basis and not when earned

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2018</u>	<u>2,017</u>
	Kshs	Kshs
6 COUNCIL EXPENSES		
Sitting Allowance	595,000	385,000
Honoraria	480,000	80,000
Total (Appendix I)	<u>1,075,000</u>	<u>465,000</u>
7 FINANCE COSTS		
Bank charges	<u>52,656</u>	<u>530,760</u>
8 CASH AND CASH EQUIVALENTS		
Bank balances		
National Bank - AC 600	1,588,765	10,114,191
National Bank - AC 601	58,383,959	15,691,334
National Bank - AC 6-00	41,132	45,092
Equity Bank AC	7,692,517	7,441,903
Cash in hand	29,536	55,612
Mpesa AC	1,920,054	4,390,088
	<u>69,655,964</u>	<u>37,738,221</u>
9 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
FAWE Kenya	150,000	18,000
Aga Khan University	106,900	106,900
Kepsha	1,077,388	1,077,388
K.I.C.D	121,239	73,500
Nairobi Bottlers	171,000	171,000
KNATCOM	4,342,070	1,500,000
ICT Authority (PDTP)	-	2,260,260
MOEST	12,826,222	12,638,072
Maasai Mara (Narok University)	449,326	413,946
Rent	1,565,676	1,724,536
TSC	-	124,700
Telkom Kenya	1,215,000	1,185,000
APHRC	271,277	135,900
Tafsiri Group	-	10,000
Technical University (Kenya Polytechnic)	9,122,400	9,122,400
Kenya Hockey Union	525,000	525,000
Kenya School of Government	418,035	418,035
Ministry of Sports, Culture & Arts	2,469,088	3,864,800
Ministry of Agric., State dep of Livestock		133,400
Zinga Technologies	313,520	313,520
Garissa County Government	1,790,000	1,790,000
Laxman	119,000	119,000
NACADA	537,802	510,000
KLB	340,500	340,500
AJIRA ICT	-	9,509,714
Nairobi Chapel	-	60,000
Azim Sameja	119,200	95,080
TVET	-	837,672
TOTAL	38,050,643	49,078,323
Provision for Bad and Doubtful debts @ 3%	1,141,519	1,472,350
Less Increase in Provision for bad and doubtfull debts		
	<u>36,909,124</u>	<u>47,605,974</u>
10 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Ministry of Education - Development Grant (Hostels)	-	11,838,208
*Restatement of Development Grant of Ksh. 11,838,208 erroneously recognised as	*	(11,838,208)
Receivable from Non Exchange transactions in F/Y 2016/2017 now reversed	*	-

KENYA EDUCATION MANAGEMENT INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	II PROPERTY, PLANT AND EQUIPMENT					COMPUTER &		
	LAND Kshs	BUILDING Kshs	PLANT & MACHINERY Kshs	MOTOR VEHICLE Kshs	FURNITURE & FITTINGS Kshs	OTHER EQUIPMENT Kshs	TOTAL Kshs	
2018								
COST/VALUATION								
At July 1, 2017	2,050,000,000	317,475,200	19,964,330	7,830,000	29,238,897	38,747,173	2,463,255,600	
Additions	-	-	-	4,900,000	50,000	360,660	5,310,660	
At June 30, 2018	2,050,000,000	317,475,200	19,964,330	12,730,000	29,288,897	39,107,833	2,468,566,260	
DEPRECIATION								
At July 1, 2017	-	23,063,263	9,768,878	3,425,625	17,865,690	34,900,782	89,024,238	
Charge for the year	-	7,360,298	1,019,545	2,326,094	1,427,901	1,388,327	13,522,165	
At June 30, 2018	-	30,423,561	10,788,423	5,751,719	19,293,591	36,289,109	102,546,403	
NET BOOK VALUE								
At June 30, 2018	2,050,000,000	287,051,639	9,175,907	6,978,281	9,995,306	2,818,724	2,366,019,857	
2017								
COST/VALUATION								
At July 1, 2016	2,050,000,000	317,475,200	19,964,330	7,830,000	29,238,897	38,747,173	2,463,255,600	
Additions	-	-	-	-	-	-	-	
At June 30, 2017	2,050,000,000	317,475,200	19,964,330	7,830,000	29,238,897	38,747,173	2,463,255,600	
DEPRECIATION								
At July 1, 2016	-	15,514,239	8,636,050	1,957,500	16,240,946	33,006,291	75,355,026	
Charge for the year	-	7,549,024	1,132,828	1,468,125	1,624,744	1,894,491	13,669,212	
At June 30, 2017	-	23,063,263	9,768,878	3,425,625	17,865,690	34,900,782	89,024,238	
NET BOOK VALUE								
At June 30, 2017	2,050,000,000	294,411,937	10,195,452	4,404,375	11,373,207	3,846,391	2,374,231,362	

* The opening balance of Furniture and Fittings was erroneously understated by Ksh. 11,373,207 now restated.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2018</u> Kshs	<u>2,017</u> Kshs
12 TRADE AND PAYABLES FROM EXCHANGE TRANSACTIONS		
GARISSA HIGH SCHOOL	738,000.00	738,000
KIBARANI SCHOOL FOR THE DEAF	-	29,000
MERU NATIONAL POLYTECHNIC	-	6,000
KADIKA GIRLS SECONDARY SCHOOL	-	3,000
TECHNOLOGY PRIMARY SCHOOL	-	6,000
NBK - COPY CAT	-	1,070,742
TOTAL KENYA	-	360,000
ROBERT A. OKETCH - FUNERAL EXPENSE	-	50,000
ALL-BIN GARBAGE SERVICE	-	9,350
NANDI NORTH DICECE COLLEGE	-	6,000
KITALE YOUTH POLYTECHNIC	-	6,000
MAKUENI EARLY CHILDHOOD EDUCATION TEACHERS	-	6,000
HOMA BAY HIGH SCHOOL	-	6,000
KADIKA GIRLS SECONDARY SCHOOL	-	6,000
SHANZU TEACHERS TRAINING COLLEGE MOMBASA	-	204,000
MACHAKOS ACADEMY	-	6,000
KITUI MULTI-PURPOSE DEVELOPMENT TRAINING	-	6,000
CHUKA GIRLS HIGH SCHOOL	-	6,000
CHUKA GIRLS HIGH SCHOOL	-	6,000
Kwale High	-	18,000
St. Joseph Girls	-	6,000
Machakos Academy	-	6,000
Skyglow	-	334,350
Nanyuki High School	-	45,000
Kaplong Girls	-	48,000
Kapenguria Boys	-	25,000
CMC MOTORS GROUP LTD	1,450,252.00	-
AUDIT FEE	1,320,000.00	660,000
	<u>3,508,252.00</u>	<u>3,672,442</u>
13 DEFERRED GRANTS & FEES		
Balance b/f	-	37,734,391
Revenue current year	-	(37,734,391)
Additional Deferred Grants (MOE)	-	-
Deferred Development Grant	-	5,401,875
Less Development Grant	-	(5,401,875)
	-	*
	<u>-</u>	<u>-</u>
14 NET ASSETS		
i Revaluation Reserve		
Balance b/f	2,284,463,085	2,284,463,085
Gain/Loss on Revaluation	-	-
Total	<u>2,284,463,085</u>	<u>2,284,463,085</u>
ii Capital Reserve		
Balance b/f	44,164,375	38,762,500
Development Grant	-	5,401,875
Total	<u>44,164,375</u>	<u>44,164,375</u>
iii Retained Earnings		
Balance b/f	127,275,654	98,413,538
Surplus/Deficit for the year	13,173,578	28,862,117
Total	<u>140,449,232</u>	<u>127,275,654</u>

*Restatement of Deferred Development Grant of Ksh. 5,401,875 which was not received from MOE vide JE 2-2017/2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2018</u> Kshs	<u>2017</u> Kshs
15 RESTATED RETAINED EARNINGS		
Opening Balance	-	(5,199,054)
Overstated Administrative Expense by	-	1,369,018
Overstated Concil Expense by	-	465,000
Adjusted to	-	(3,365,036)

16 CONTINGENT LIABILITY

Litigation is in process against KEMI relating to unfair dismissal of former staff.
The outcome of these cases has not been determined.

17 MEMBER OF STAFF

- i. Permanent - 64
- ii. Contract - 25
- iii. Casuals - 2

18 FINANCIAL RISK MANAGEMENT

i. **Market Risk** - KEMI does not own Financial Instruments in Foreign Currency hence it is not exposed to Market Risk

ii. **Price Risk** - KEMI Does not hold any Fiancial Instruments subject to Price Risk

iii. **Credit Risk** - This arises from outstanding receivables. It is the risk that counterparty will default on the contractual obligation, rest in financial loss. KEMI's credit risk is managed by the Head of Income Generating Projects by ensuring that relevant documentation is obtained before any engagement, to allow follow up on such payments.

iv. **Operational Risk** - This is Risk that can arise from ordinary business activities, in KEMI's case from Trainings. The number of participants in the main Training Programme (ODFL) has been decreasing, with fewer participants enrolling for the same. This Risk is managed by the Deputy Director Training through introduction of new programmes hence diversification.

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Land & Ownership	The Management contracted a Law firm to seek court orders to evict the squatters.	Procurement Officer	Partially resolved	As soon as possible
1.2	EDP Equipment	Officers concerned have been surcharged.	Internal Audit Officer	Recoveries being done from the payroll!	As soon as possible
2.0	Ineligible Administrative Expenses	The money in question was received by KESI in 2009. By virtue of being a department, KESI's expenses were accounted for by MOEST.	Internal Audit Officer	Accounting officer of MOEST authorized KESI to make the payments.	Closed

