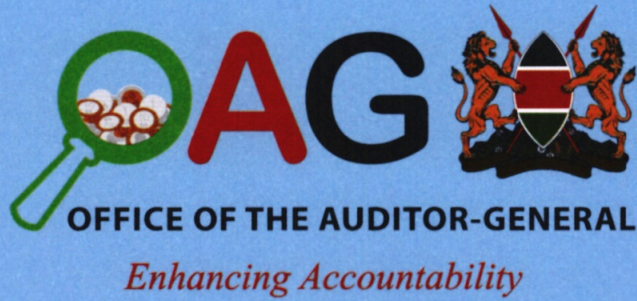


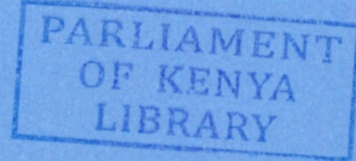
REPUBLIC OF KENYA



**REPORT**

PAPERS LAID	
DATE	17/04/2024
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COMMITTEE	_____
CLERK AT THE TABLE	MERCY

**OF**



**THE AUDITOR-GENERAL**

**ON**

**KENYA HEALTH SECTOR  
PROGRAMME SUPPORT III  
(DANIDA REF.104.KENYA.810.300-GRANT)**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

**COUNTY GOVERNMENT OF KISII**



**PROJECT NAME: KENYA HEALTH SECTOR PROGRAMME SUPPORT III**

**IMPLEMENTING ENTITY: COUNTY GOVERNMENT OF KISII**

**PROJECT GRANT NUMBER: DANIDA REF 104.KENYA.810.300 (GRANT)**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE, 2023**

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

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**1. ACRONYMS AND GLOSSARY OF TERMS**

ANC	Antenatal Clinic
AWP	Annual Work Plan
CBK	Central Bank of Kenya
CU	Community Unit (Level 1)
HSPS	Health Sector Programme Support
HSSF	Health Sector Service Fund
ICPAK	Institute of Certified Public Accountants of Kenya
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
KEPH	Kenya Essential Package for Health
NHIF	National Health Insurance Fund
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SPA	Special Purpose Account (at CBK)
TBA	Traditional Birth Attendance
WB	World Bank
Comparative FY	Financial year preceding the current financial year

## **2. PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **2.1 Name and registered office**

#### **Name**

The project's official name is HSPS-III Component 1.1 HSSF under Danida Health Sector Programme Support Phase 3.

#### **Objective**

The key objective of the project is to contribute to poverty reduction in all dimensions and to the achievements of Millennium Development Goals.

#### **Address**

The project headquarters offices are at Kisii Teaching and Referral Hospital, Kisii County Kenya. The address of its registered office is:

Kisii Teaching and Referral Hospital

PO Box 92-40200

Kisii

**Contacts:** The following are the project contacts

P.O. Box: 92-40200 Kisii

Telephone: (254) 208029160

E-mail: [inf@kisii.go.ke](mailto:inf@kisii.go.ke)

Website: [www.kisii.go.ke](http://www.kisii.go.ke)

**PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)**

**2.2 Project Information**

Project Start Date:	01 07 14
Project End Date:	30 06 27
Project Manager:	Chief Officer Health
Project Sponsor:	Royal Danish Embassy/DANIDA

**2.3 Project Overview**

Line Ministry/State Department of the project	Council of Governors
Project number	Danida Ref.104.Kenya.810.300(Grant)
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> <li>(i) Increase equitable access to health services</li> <li>(ii) Improve the quality and responsiveness of services in the sector</li> <li>(iii) Improve the efficiency and effectiveness of service delivery</li> <li>(iv) Enhance the regulatory capacity</li> <li>(v) Foster partnerships in improving health and delivering services</li> <li>(vi) Improve the financing of the health sector</li> </ul>
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) Scale up the support to the Kenyan Essential Package of Health</li> <li>(ii) Support capacity building through technical assistance in</li> </ul>

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	the sector coordination and the performance monitoring and evaluation process in planning and budgeting, financial management, in social accountability and in pharmacy and commodities management
Other important background information of the project	This part-project for Danida funds is a part of Danida/HSPS-III and only deals with direct health facility funding through government system as described under Component 1.1 in the Programme Document for Health Sector Programme Support Phase 3
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: <ul style="list-style-type: none"> <li>(i) Support to KEPH and HSSF</li> <li>(ii) Support to health systems strengthening and capacity building</li> </ul>
Project duration	Until 30 <sup>th</sup> June 2027

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**2.4 Bankers**

The following are the bankers for the project:

- (i) Central Bank of Kenya
- (ii) Various Commercial Banks in Kenya

**2.5 Independent Auditor**

The project is audited by the Auditor General with support from DANIDA auditors, (for now Ernst and Young)

**2.6 Roles and Responsibilities**

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

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Ronald G Nyakweba	CEC Health		Policies Formulation
Gladys Aminga	Chief Officer Health		Accounting Officer
Dr Matiko Giabe	Director Health		Supervision
Dr Olande Albert	Focal Person		Operation M&E

**2.7 Funding summary**

The Project second phase come to an end in 30<sup>th</sup> June 2020 and was renewed for a duration of 5 years from 2020 to 2027 with an approved budget of KES 167,526,000.00 with the following modalities.

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	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Danida PHC Support	22,140,000.00	17,250,750.00	13,284,000.00	11,070,000.00	8,856,000.00	3,321,000.00	-
County Contribution	-	4,889,250.00	8,856,000.00	11,070,000.00	13,284,000.00	18,819,000.00	22,140,000.00
Danida Support Level 1			3,136,500.00	3,136,500.00	3,136,500.00	3,136,500.00	
<b>TOTAL</b>	<b>22,140,000.00</b>	<b>22,140,000.00</b>	<b>25,276,500.00</b>	<b>25,276,500.00</b>	<b>25,276,500.00</b>	<b>25,276,500.00</b>	<b>22,140,000.00</b>

*Kenya Health Sector Programme Support III, Danida Ref. 104.Kenya.810.300(Grant) Project,  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

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**PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment		Amount received to date – (30 <sup>th</sup> June 2023)		Undrawn balance to date	
	DKK	Kshs	DKK	Kshs	DKK	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
DANIDA	4,297,409	88,467,750	2,385,998	49,118,875	1,911,411	39,348,875
<b>(ii) Counterpart funds</b>						
County Government of Kisii	3,840,333	79,058,250	667,689	13,745,250	3,172,644	65,313,000
<b>Total</b>	<b>8,137,742</b>	<b>167,526,000</b>	<b>3,053,687</b>	<b>62,864,125</b>	<b>5,084,055</b>	<b>104,661,875</b>

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PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 <sup>th</sup> June 2023)		Cumulative amount paid to date – (30 <sup>th</sup> June 2023)		Unutilised balance to date (30th June 2023)	
	<i>DKK</i>	<i>Kshs</i>	<i>DKK</i>	<i>Kshs</i>	<i>DKK</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>(i) Grant</b>						
DANIDA	2,385,998	49,118,875	2,385,998	49,118,875	-	-
<b>(i) Counterpart funds</b>						
Government of Kenya	667,689	13,745,250	667,689	13,745,250	-	-
<b>Total</b>	<b>905,189</b>	<b>18,634,500</b>	<b>905,189</b>	<b>18,634,500</b>	<b>-</b>	<b>-</b>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**2.8 Summary of Overall Project Performance:**

- i) Budget performance against actual amounts for current year and for cumulative to-date shows that receipt was not received 100%, danida 59.55% NHIF 12.7% only counterpart funding from County Government of Kisii was received 100%, translating to a 37.45% total receipt of funds.
- ii) The output of the project has shown a dip in performance compared to last year,
- iii) The absorption has been average, since funds are disbursed at near end of the financial year while also the funds aren't received at all.
- iv) Challenges mostly faced is funding arriving late, slow or no claims for NHIF reimbursements and turnover of incharges which requires training. The county should set aside funds for training and encourage facilities incharges to claim from NHIF and Danida to be disburse on time.

**2.9 Summary of Project Compliance:**

- i) Transfer of funds to SPA within 15days and to facilities within 15days after the fund hit SPA.
- ii) Disburse counterpart funding in full within the year.
- iii) Reporting quarterly within 20days after the end of quarter
- iv) Use of IFMIS to transfer funds to facilities.

### **3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES**

#### **Introduction**

The key development objectives of the *project's agreement/* plan are to increase:

- a) Children immunized with the third dose of pentavalent
- b) Pregnant women attending at least 4 ANC visits
- c) Births attended by skilled health personnel
- d) Women between the age of 15-49 currently using modern FP method
- e) Per capita outpatient (OPD) utilization rate annually
- f) Functional CU
- g) Grievances registered related to delivery of project benefits that are addressed
- h) Health facilities inspected for safety standards (i.e., JHIC)
- i) Health facilities providing BEmOC
- j) Facilities submitting DHIS data in a timely manner
- k) People who have received essential health, nutrition, and population services (sum of the number of children immunized (BCG); number of women and children who have received basic nutrition services (new visits for nutrition services); and number of deliveries attended by skilled health personnel).
- l) County spending, at least 20 percent of the budget (excl. conditional grants), on health

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**Progress on attainment of strategic development objectives**

COUNTY PERFORMANCE INDICATORS							
Indicator	Numerator	Denominator (D)-description	Denominator D	Percentage (100 * N/D)	Baseline (2016/2017)	Target (2022/2023)	Data Source
Children immunized with the third dose of pentavalent	33,677	Estimated number of children younger than one year for a given period	39,224	86%	58%	95%	DHIS2
Pregnant women attending at least 4 ANC visits	20,440	Estimated number of pregnancies.	42,081	49%	22%	57%	DHIS2
Births attended by skilled health personnel	32,256	Estimated number of pregnancies.	40,538	80%	57%	88%	DHIS2
Women between the age of 15-49 currently using modern FP method	29,712	Proportion of Women aged 15-49 Years	321,285	9%	46%	61%	DHIS2
Inspected facilities meeting safety standards	80	Number of health facilities (L2-L4) in the county	169	47%			CHMT-JHIC Reports
Per capita outpatient (OPD) utilization rate annually	2,738,601	County population	1,371,954	2		1	DHIS 2
Facilities submitting complete DHIS data	239	Number of health facilities issued with reporting tools.	239	100%	85%	100%	DHIS2
Functional CU	294	Total number of CU established	294	100%	76%	100%	MCUL

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COUNTY PERFORMANCE INDICATORS							
Indicator	Numerator	Denominator (D)-description	Denominator D	Percentage (100 * N/D)	Baseline (2016/2017)	Target (2022/2023)	Data Source
Grievances registered related to delivery of project benefits that are addressed		Total number of grievances related to delivery of project benefits registered and addressed at the county levels				0%	Grievance Register
Health facilities inspected for safety standards (i.e. JHIC)	70	Number of health facilities (L2-L4) in the county	183	38%			CHMT-JHIC Report
Pregnant women attending ANC supplemented with IFA	104,032	Estimated number of pregnancies	42,081	247%	30%	100%	DHIS 2
Health facilities providing BEmOC	107	Total number of health facilities (L2-L4)	202	53%		99%	CHMT/MFL
Facilities submitting DHIS data in a timely manner	192	Number of health facilities issued with reporting tools.	239	80%		100%	DHIS2
People who have received essential health, nutrition, and population services (sum of the number of children immunized (BCG); number of women and children who have received basic nutrition services (new visits for nutrition services); and number of deliveries attended by							DHIS 2

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COUNTY PERFORMANCE INDICATORS							
Indicator	Numerator	Denominator (D)-description	Denominator D	Percentage (100 * N/D)	Baseline (2016/2017)	Target (2022/2023)	Data Source
skilled health personnel)							
County spending, at least 20 percent of the budget (excl. conditional grants), on health	3,098,379,345	Total County Budget, excluding Conditional grants	11,914,668,691	26%			CHMT

#### **4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Health centres and dispensaries are a major source of primary level care for communities in rural areas of Kenya. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

##### **1. Sustainability strategy and profile**

The top management as ensured that integration of activities within the ministry, FIF act has been passed to ring fence funds, capacity building of hospital management committee has been done. The county has been able to budget and disburse counterpart funding to facilities in time and will keep doing so to the far future.

##### **2. Environmental performance**

The county government has done infection prevention training to health care worker and other staff within health sector. Policy document has been printed and supplied to all health facilities. Supply of infection prevention safety kits to all facilities. Installation of microwave shredder at level 5 for waste disposal. The challenge being witness is lack of logistic vehicle to collect medical waste.

##### **3. Employee welfare**

For casual employees within the rural facilities, the facility advertises the position locally and encourage the resident to apply for the position, while county employees it advertise nationally and 30% of recruit comes from other counties and also considering gender balance. Health care workers do undergo training in continuous medical education to ensure that they are up to date with current affair of medical field. They also undergo leadership management training depending on level of leadership. For safety standards the facilities provide employees with safety kits and are train on emergency procedures.

##### **4. Marketplace practices-**

###### **a) Responsible Supply chain and supplier relations-**

The department uses mostly open tender system of supply and ensures that the supplies are paid on time this together with market price survey ensures that goods and services are within the price market. The county also supports private hospital

with supplies and paid health care workers, capacity building and data sharing via DHIS.

**b) Responsible ethical practices**

The county maintains a list of suppliers whom they engage from time to time. We pay our supplies on time and ensure that contracts are beneficial to all parties new and old alike.

**c) Regulatory impact assessment**

Service charter in all facilities has been put in place and this outline consumer rights and responsibility, time, and cost of service. The health care workers handle cases following the standard protocol.

**5. Community Engagements**

The county has engaged community in the following ways.

- i. Provision of mama kits to all mothers who deliver in public hospital.
- ii. Compensation of Traditional Birth Attendant (TBA) when they bring mothers to give birth at the health facilities.
- iii. Commemoration of world health days: - Contraceptive, AIDS, TB, Mothers days
- iv. Advocacy, mobilisation, screening, vaccination of young and adolescent girls on cervical cancer.
- v. Visits to school for health promotions
- vi. School deworming programs

## **5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Chief Officer Health for the County Government of Kisii and the Project Focal Person for DANIDA/HSPS-III are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2023.

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

The Chief Officer Health for the County Government of Kisii and the Project Focal Person for DANIDA/HSPS-III accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Officer Health for the County Government of Kisii and the Project Focal Person for DANIDA/HSPS-III are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The Chief Officer Health for the County Government of Kisii and the Project Focal Person for Danida/HSPS-III further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

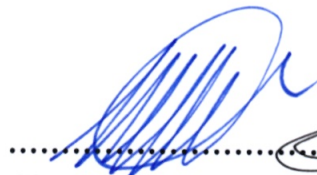
***Kenya Health Sector Programme Support III, Danida Ref. 104.Kenya.810.300 (Grant)  
Annual Report and Financial Statements for the financial year ended June 30, 2023***

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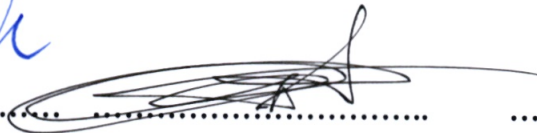
The Chief Officer Health for the County Government of Kisii and the Project Focal Person for Danida/HSPS-III confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project Financial Statements**

The Project financial statements were approved by the Chief Officer Health for the County Government of Kisii and the Project Focal Person for DANIDA/HSPS-III on 28<sup>TH</sup> SEPTEMBER 2023 and signed by:



.....  
**Gladys Aminga**  
**Chief Officer Health**



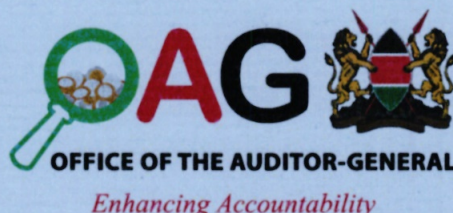
.....  
**Dr Albert Olande**  
**Project Focal Person**



.....  
**Samuel Mutai**  
**Project Accountant**  
**ICPAK Member No:12519**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA HEALTH SECTOR PROGRAMME SUPPORT III (DANIDA REF.104.KENYA.810.300-GRANT) FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF KISII**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Health Sector Programme Support III (DANIDA REF.104.KENYA.810.300-Grant) set out on pages

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*Report of the Auditor-General on Kenya Health Sector Programme Support III (Danida REF.104.Kenya.810.300-Grant) for the year ended 30 June, 2023 – County Government of Kisii*

1 to 22, which comprise of the statement of financial assets and liabilities as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Health Sector Programme Support III (DANIDA REF.104.KENYA.810.300-Grant) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Memorandum of Understanding for the Danida Primary Health Care (PHC) Support Programme between the Royal Danish Embassy, the Ministry of Health, Council of Governors and County Governments dated 10 March, 2022.

### **Basis for Qualified Opinion**

#### **Unsupported Expenditure Budget Amounts**

The statement of comparison of budget and actual amounts reflects expenditure budget amount of Kshs.124,035,118 in respect of compensation of employees, purchase of goods and services, acquisition of non-financial assets and transfers to other Government entities. However, the approved expenditure budget in support of this amount was not provided for audit.

In the circumstances, the accuracy and completeness of the expenditure budget of Kshs.124,035,118 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Health Sector Programme Support III Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.124,035,118 and Kshs.46,452,818

respectively, resulting to an under-funding of Kshs.77,582,300 or 63% of the budget. Similarly, the Programme expended an amount of Kshs.36,660,756 against a budget of Kshs.124,035,118 resulting to an under-expenditure of Kshs.87,374,362 or 70% of the budget.

In the circumstances, the under-funding and under-absorption may have impacted negatively on service delivery to the public.

## 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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Non-Compliance with the Legal Minimum Wages

Review of documents revealed that the County Government of Kisii engaged cleaners and watchmen as casual employees in various health facilities where they were paid wages of between Kshs.8,000 and Kshs.3,000 per month contrary to Gazette Supplement No. 114 dated, Legal Notice No 125 on the Regulation of Wages Order, 2022, which set the minimum wages for cleaners and day watchmen at Kshs.8,110 and night watchmen at Kshs.9,673 per month.

In the circumstances, Management was in breach of the law.

#### 2. Delay in Disbursement of Programme's Funds from County Revenue Fund

Review of subsequent events after 30 June, 2023 revealed that on 3 July, 2023, the Kisii County Government received an amount of Kshs.15,267,375 as grants for the implementation of the planned programmes for the financial years 2021/2022 and 2022/2023 under the Programme. However, at the time of audit on 12 October, 2023, the funds were still being held in the County Revenue Fund account, contrary to the requirement of the agreement that such funds should be transferred to the health care facilities within twenty-five (25) days. Further, the County Government has only budgeted an amount of Kshs.2,750,000 in the financial year 2023/2024 as counterpart funding under the Programme and not an amount of Kshs.11,070,000 provided in the Memorandum of Understanding.

In the circumstances, the objectives of the Programme may not be realized within the planned time frame.

#### 3. Unclaimed National Hospital Insurance Fund (NHIF)

The statement of receipts and payments reflects proceeds from domestic and foreign grants amount of Kshs.28,941,950 which, as disclosed in Note 1 to the financial

statements, includes an amount of Kshs.10,307,450 in respect of maternity/NHIF. However, review of the National Hospital Insurance Fund (NHIF) statement revealed that ninety-six (96) health facilities did not claim NHIF after offering services, even though the NHIF claims were budgeted for.

In the circumstances, failure to claim the NHIF funds may have adversely affected delivery of primary health services to the public.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal controls 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 controls, risk management and overall governance.

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

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 judgment and maintain professional scepticism 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 controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Programme internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Programme'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 Programme 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 Programme 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 controls that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

07 November, 2023

*Kenya Health Sector Programme Support III, Danida Ref. 104.Kenya.810.300(Grant) Project,  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

**7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023.**

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
		<i>2022/2023</i>			<i>2021/2022</i>			
		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Receipts</b>								
Proceeds from domestic and foreign grants	1	28,941,950	-	28,941,950	33,753,918	-	33,753,918	125,191,858
Miscellaneous receipts	2	29,404	-	29,404	7,987	-	7,987	66,173
<b>Total receipts</b>		<b>28,971,354</b>	<b>-</b>	<b>28,971,354</b>	<b>33,761,905</b>	<b>-</b>	<b>33,761,905</b>	<b>125,258,031</b>
<b>Payments</b>								
Compensation to employees	3	18,609,918	-	18,609,918	16,462,521	-	16,462,521	59,085,031
Purchase of goods and services	4	17,330,487	-	17,330,487	30,649,104	-	30,649,104	91,325,750
Acquisition of non-financial assets	5	205,817	-	205,817	2,613,820	-	2,613,820	6,576,448
Transfers to other government entities	6	514,534	-	514,534	-	-	-	514,534
<b>Total payments</b>		<b>36,660,756</b>	<b>-</b>	<b>36,660,756</b>	<b>49,725,445</b>	<b>-</b>	<b>49,725,445</b>	<b>157,501,763</b>
<b>Surplus/ (deficit)</b>		<b>(7,689,402)</b>	<b>-</b>	<b>(7,689,402)</b>	<b>(15,963,540)</b>	<b>-</b>	<b>(15,963,540)</b>	<b>(32,243,732)</b>

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

  
.....  
**Gladys Aminga**  
Chief Officer Health

  
.....  
**Dr Albert Olande**  
Project Focal Person

  
.....  
**Samuel Mutai**  
Project Accountant  
ICPAK Member No:12519

**Kenya Health Sector Programme Support III, Danida Ref. 104.Kenya.810.300(Grant) Project, Annual Report and Financial Statements for the financial year ended June 30, 2023**

**8. STATEMENT OF FINANCIAL ASSETS AS AT 30<sup>TH</sup> JUNE 2023**

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Financial Assets</b>			
<b>Cash and Cash equivalents</b>			
Bank Balances	7	9,792,062	17,481,464
<b>Total Cash and Cash equivalents</b>		<b>9,792,062</b>	<b>17,481,464</b>
<b>Total Financial Assets</b>		<b>9,792,062</b>	<b>17,481,464</b>
<b>Net Assets</b>		<b>9,792,062</b>	<b>17,481,464</b>
<b>Represented By</b>			
Fund Balance B/fwd.	8	17,481,464	33,445,004
Surplus/(Deficit) for the Year		(7,689,402)	(15,963,540)
<b>Net Financial Position</b>		<b>9,792,062</b>	<b>17,481,464</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28<sup>th</sup> SEP 2023 and signed by:

  
 Gladys Aminga  
 Chief Officer Health

  
 Dr Albert Olande  
 Project Focal Person

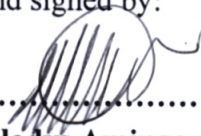
  
 Samuel Mutai  
 Project Accountant  
 ICPAK Member No:12519

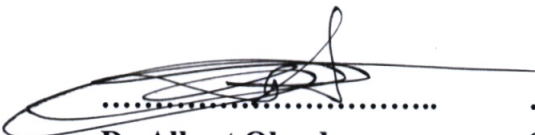
**Kenya Health Sector Programme Support III, Danida Ref. 104.Kenya.810.300 (Grant)  
Annual Report and Financial Statements for the financial year ended June 30, 2023**


**9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

Description	Notes	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Proceeds from domestic and foreign grants	1	28,941,950	33,753,918
Miscellaneous receipts	2	29,404	7,987
<b>Total receipts</b>		<b>28,971,354</b>	<b>33,761,905</b>
<b>Payments</b>			
Compensation of employees	3	18,609,918	16,462,521
Purchase of goods and services	4	17,330,487	30,649,104
Transfers to other government entities	6	514,534	-
<b>Total Payments</b>		<b>36,454,939</b>	<b>47,111,625</b>
<b>Net receipts/(payments)</b>		<b>(7,483,585)</b>	<b>(13,349,720)</b>
<b>Net cash flow from operating activities</b>		<b>(7,483,585)</b>	<b>(13,349,720)</b>
<b>Cash flows from investing activities</b>			
Acquisition of non-financial assets	5	205,817	2,613,820
<b>Net cash flows from investing activities</b>		<b>(205,817)</b>	<b>(2,613,820)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(7,689,402)</b>	<b>(15,963,540)</b>
<b>Cash and cash equivalent at beginning of the year</b>	7	<b>17,481,464</b>	<b>33,445,004</b>
<b>Cash and cash equivalent at end of the year</b>	7	<b>9,792,062</b>	<b>17,481,464</b>

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 28<sup>th</sup> JUNE 2023 and signed by:

  
.....  
**Gladys Aminga**  
Chief Officer Health

  
.....  
**Dr Albert Olande**  
Project Focal Person

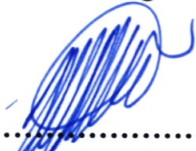
  
.....  
**Samuel Mutai**  
Project Accountant  
ICPAK Member No:12519


*Kenya Health Sector Programme Support III, Danida Ref. 104.Kenya.810.300(Grant) Project,  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

**10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 30<sup>TH</sup> JUNE 2023**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	<b>a</b>	<b>b</b>	<b>c=a+b</b>	<b>d</b>	<b>e=c-d</b>	<b>f=d/c %</b>
<b>Receipts</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
DANIDA	16,420,500	-	16,420,500	9,778,500	6,642,000	60%
County Government of Kisii	8,856,000	-	8,856,000	8,856,000	-	100%
NHIF Annex and User Fees	81,247,750	-	81,247,750	10,307,450	70,940,300	13%
Miscellaneous receipts	-	-	29,404	29,404	-	100%
Balance B/F	17,481,464		17,481,464	17,481,464	-	100%
<b>Total Receipts</b>	<b>124,005,714</b>		<b>124,035,118</b>	<b>46,452,818</b>	<b>77,582,300</b>	<b>37%</b>
<b>Payments</b>						
Compensation to employees	36,569,231	-	36,569,231	18,609,918	17,959,313	51%
Purchase of goods and services	77,057,014	29,404	77,086,418	17,330,487	59,755,931	22%
Acquisition of non-financial assets	9,864,935	-	9,864,935	205,817	9,659,118	2%
Transfers to other government entities	514,534	-	514,534	514,534	-	100%
<b>Total Payments</b>	<b>124,005,714</b>		<b>124,035,118</b>	<b>36,660,756</b>	<b>87,374,362</b>	<b>30%</b>
<b>Surplus or Deficit</b>	<b>-</b>		<b>-</b>	<b>9,792,062</b>	<b>-</b>	<b>-</b>

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.

  
.....  
**Gladys Aminga**  
Chief Officer Health

  
.....  
**DR Albert Olande**  
Project Focal Person

  
.....  
**Samuel Mutai**  
Project Accountant  
ICPAK Member No:12519

## **11. SIGNIFICANT ACCOUNTING POLICIES**

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

### **a) Statement of compliance and basis of preparation**

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

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

### **b) Reporting entity**

The financial statements are for the project DANIDA/HSPS-III under the County Government of Kisii. The financial statements are for the reporting entity project DANIDA/HSPS-III as required by Section 81 of the PFM Act, 2012 .

### **c) Reporting currency**

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

### **d) Recognition of receipts**

The Project recognises all receipts from the various sources when the event occurs, and the related cash has been received:

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Transfers from the Exchequer**

Transfer from Exchequer is 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.

**ii) External Assistance**

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

**iii) 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 at the time associated cash is received.

**iv) Donations and grants**

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

**v) Proceeds from borrowing.**

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

**vi) Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

**e) Recognition of payments**

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

**f) Compensation to employees**

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

**g) Use of goods and services**

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

**h) Interest on borrowing**

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

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

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j) 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

**Significant Accounting Policies (Continued)**

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

**k) In-kind donations**

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

**l) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m) Restriction on cash**

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

**n) Imprests and Advances**

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

**o) Contingent Liabilities**

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

resources embodying economic benefits or service potential is remote. **Annex 6** of this financial statement is a register of the contingent liabilities in the year.

### **p) Contingent Assets**

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

### **q) 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' 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.

### **r) Budget**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been *included in an annex to these financial statements*.

**s) Third party payments**

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

**t) Exchange rate differences**

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

**u) Comparative figures**

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

**v) Subsequent events**

The county receive KES 15,267,375 on 3<sup>rd</sup> July 2023 in its County Revenue Fund account meant for the project for the year ended 2022 KES 8,625,375 and year ended 2023 KES

6,642,000. The amount hadn't been transferred to the SPA account by the time of signing the financial statement.

**w) Prior period adjustments**

Prior period adjustments relate to errors and

**12. NOTES TO THE FINANCIAL STATEMENTS**

**1. Proceeds From Domestic and Foreign Grants**

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Name of Donor	Date received	FY 2022/2023					FY 2021/2022	Cumulative to date
		Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount	Total Amount	
		DKK	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
DANIDA LEVEL II & III	MAY 2023	322,642	6,642,000	-	-	6,642,000	8,625,375	45,982,375
DANIDA LEVEL I	MAY 2023	152,359	3,136,500			3,136,500	-	3,136,500
Maternity/NHIF	-	500,695	10,307,450	-	-	10,307,450	19,205,923	35,155,366
User Fees	-	-	-	-	-	-	-	26,138,997
TBA	-	-	-	-	-	-	1,033,370	1,033,370
County Government of Kisii	Dec 2022	430,189	8,856,000	-	-	8,856,000	4,889,250	13,745,250
<b>Total</b>		<b>1,405,885</b>	<b>28,941,950</b>	<b>-</b>	<b>-</b>	<b>28,941,950</b>	<b>33,753,918</b>	<b>125,191,858</b>

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

**2. Miscellaneous receipts**

Description	2022/2023			2021/2022	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total receipts	Total receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Other receipts not classified elsewhere*	29,404		29,404	7,987	66,173
<b>Total</b>	<b>29,404</b>	<b>-</b>	<b>29,404</b>	<b>7,987</b>	<b>66,173</b>

**3. Compensation to Employees**

Description	FY 2022/2023			FY 2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
-					
Basic wages of temporary employees	17,673,850	-	17,673,850	16,462,521	58,148,963
Compulsory national social security schemes	936,068	-	936,068	-	936,068
<b>Total</b>	<b>18,609,918</b>	<b>-</b>	<b>18,609,918</b>	<b>16,462,521</b>	<b>59,085,031</b>

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

**4. Purchase of Goods and Services**

Description	FY 2022/2023			FY 2021/2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs.	Kshs.	
Utilities, supplies and services	1,272,167	-	1,272,167	2,293,617	7,226,967
Communication, supplies and services	753,160	-	753,160	881,402	3,467,516
Domestic travel and subsistence	3,400,867	-	3,400,867	3,940,320	14,723,046
Printing, advertising, and information supplies	2,281,318	-	2,281,318	3,673,709	10,687,675
Fuel and Lubricants	308,206	-	308,206	465,778	1,646,860
Office and General Supplies and Services	2,219,916	-	2,219,916	3,970,337	11,648,473
Hospitality supplies and services	1,126,970	-	1,126,970	2,467,207	6,572,108
Insurance costs	200,000	-	200,000	-	499,500
Specialized materials and services	4,480,759	-	4,480,759	7,789,570	20,959,243
Other operating payments	403,977	-	403,977	532,324	1,482,519
Routine maintenance- other assets	883,147	-	883,147	4,634,840	12,411,843
<b>Total</b>	<b>17,330,487</b>	<b>-</b>	<b>17,330,487</b>	<b>30,649,104</b>	<b>91,325,750</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Acquisition of Non-Financial Assets

Description	2022/2023			2021/2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs.	Kshs.	
Purchase of ICT Equipments	54,400	-	54,400	237,200	752,100
Construction of civil works	54,220	-	54,220	719,860	1,964,740
Purchase of household furniture & institutional equipment	51,100	-	51,100	38,480	617,983
Purchase of office furniture & general equipment	6,017	-	6,017	791,850	1,090,596
Purchase of specialised plant, equipment and machinery	40,080	-	40,080	826,430	2,151,029
<b>Total</b>	<b>205,817</b>	<b>-</b>	<b>205,817</b>	<b>2,613,820</b>	<b>6,579,748</b>

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

**6. Transfers to other Government Entities**

During the financial period to 30 June 2023, we did transferred funds to reporting government entities as below the FIF fund accountant has acknowledge the same.

Description			2022/2023	2021/2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs.	Kshs.	
Transfers to FIF County Government of Kisii					
Misesi Health Centre	116,185		116,185	-	116,185
Nyamasibi Health Centre	398,348		398,348	-	398,348
<b>Total</b>	<b>514,534</b>		<b>514,534</b>	<b>-</b>	<b>514,534</b>

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

**7. Cash And Cash equivalents**

Description	2022/2023	2021/2022
	Kshs	Kshs
Bank accounts (Note 11A)	9,792,062	17,481,464
<b>Total</b>	<b>9,792,062</b>	<b>17,481,464</b>

The Project has a number of project accounts spread within the project implementation area managed by the project team as listed appendices:

**7. A Bank Accounts**

**Project Bank Accounts**

Details	2022/2023	2021/2022
	Kshs	Kshs
<b><u>Local Currency Accounts</u></b>		
Special Purpose Account	-	8,625,375
Commercial Bank Accounts	9,792,062	8,856,089
<b>Total bank account balances</b>	<b>9,792,062</b>	<b>17,481,464</b>

The list and amount in each commercial bank account balance is attached.

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2023 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

**Special Deposit Accounts Movement Schedule**

There was no special deposit accounts.

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

**8. Fund Balance Brought Forward**

<b>Description</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	17,481,464	33,445,004
<b>Total</b>	<b>17,481,464</b>	<b>33,445,004</b>

**Other Important Disclosures**

**Other Important Disclosures (Continued)**

**1. External Assistance**

*a). External assistance relating loans and grants*

There were no external assistance relating loans and grants.

*b) Classes of providers of external assistance*

The assistance is reported by other entities.

*c. Non-monetary external assistance*

The assistance is reported by other entities.

**2. Payments By Third Party on Behalf of The Project**

There were no third-party payments.

**3. Related Party Disclosures**

There were no related party disclosures.

**4. Contingent Liabilities**

There are no contingent liabilities.

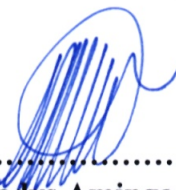
13. ANNEXES

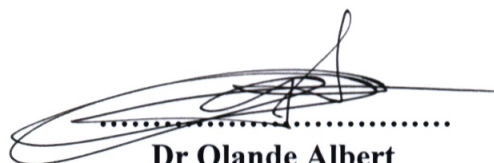
Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p><b>Budgetary Control and Performance</b></p> <p>The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.134,672,861 and Kshs.67,206,909 respectively resulting to an under-funding of Kshs.67,465,952 or 50% of the budget. The shortfall in revenue by Kshs.67,465,952 or 50% implies that the Programme could not undertake all the planned activities. Similarly, the Programme had an approved expenditure budget of Kshs.134,672,861 for 2021/2022 financial year but the actual expenditure amounted to Kshs.49,725,445 and thus resulting in an under-expenditure of Kshs.84,947,416 or 63% of the budget.</p> <p>In the circumstances,</p>	<p>The county will ensure that funds are claimed on time from NHIF to reduce funding gap.</p>	<p>Not Resolved</p>	<p>This current financial year 2023/2024</p>

**Kenya Health Sector Programme Support III, Danida Ref. 104.Kenya.810.300(Grant)  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the under-funding and under-absorption may have impacted negatively on service delivery to the public.			

  
 .....  
**Gladys Aminga**  
**Chief Officer Health**

  
 .....  
**Dr Olande Albert**  
**Project Focal Person**

**Annex 2: Variance explanations - Comparative Budget and Actual amounts for 2022/2023**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
DANIDA	16,420,500	9,778,500	6,642,000	60%	There was delay in disbursement. It come on 3 <sup>rd</sup> July 2023
County Government of Kisii	8,856,000	8,856,000	-	100%	
NHIF	81,247,750	10,307,450	70,940,300	13%	Facilities are not claiming NHIF
Miscellaneous receipts	29,404	29,404	-	100%	-
Balance B/F	17,481,464	17,481,464	-	100%	-
<b>Total Receipts</b>	<b>124,035,118</b>	<b>46,452,818</b>	<b>77,582,300</b>	<b>37%</b>	Late disbursement and lack of claims by facilities
<b>Payments</b>					
Compensation of employees	36,569,231	18,609,918	17,959,313	51%	Failure to meet revenue targets
Purchase of goods and services	77,088,418	17,330,487	59,755,931	22%	Failure to meet revenue targets
Acquisition of non-financial assets	9,864,935	205,817	9,659,118	2%	Failure to meet revenue targets
Transfers to other government entities	514,534	514,534	-	100%	-
<b>Total payments</b>	<b>124,035,118</b>	<b>36,660,756</b>	<b>87,366,480</b>	<b>30%</b>	Failure to meet revenue targets

**Annex 2b Analysis of NHIF Budget Estimation**

Item	Estimate	Amount	Total (Kshs.)	% Of Total	Amount (Kshs.)
Delivery	40538	2500	101,345,000.00	20%	20,269,000
Anc	42081	1500	63,121,500.00	50%	31,560,750
Immunization	39224	1500	58,836,000.00	50%	29,418,000
<b>Total</b>					<b>81,247,750</b>

The estimate value is extracted from the county annual work plan consolidated as per the items then the figure is multiplied by 2,500.00 for every delivery as per NHIF agreement. For ANC visit the first visit is 600.00 followed by 300.00 for the next three visits making a total of 1,500.00. For immunization there is five immunizations in a year with each immunization is charge 300 making 1,500.00. The percentage of the total is extracted from previous data which shows that 20% of women in the county deliver in level 2 and 3 facilities and 50% of ANC and immunization are done at level 2 and 3 facilities.

**Annex 3: Reconciliation of inter-entity transfers**

<b>Project Name:</b>				
<b>Break down of transfers from the County to Health Facilities</b>				
<b>a.</b>	<b>Government Counterpart funding</b>			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	Danida	4 <sup>th</sup> July 2022	8,625,375	2021/2022
	County Couterpart Funding	19 <sup>th</sup> December 2022	8,856,000	2022/2023
	Danida	29 <sup>th</sup> May 2023	6,642,000	2022/2023
	<b>Total</b>		<b>24,123,375</b>	

The above amounts have been communicated to and reconciled with the County Headquarters/Health Facilities

Project Focal Person  
 Health Sector Programme Support III

Sign

Head of Accounting Unit  
 County Government of Kisii

Sign