

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

REPORT

DATE: 09 FEB 2022

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THE AUDITOR-GENERAL

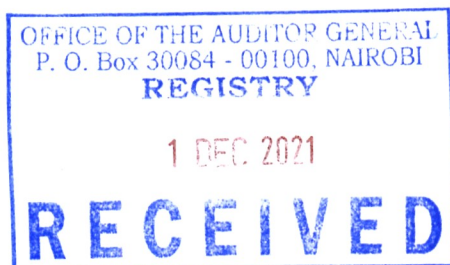
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PARLIAMENT
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LIBRARY

**EAST AFRICA PUBLIC HEALTH
LABORATORY NETWORKING (EAPHLN)
PROJECT CREDIT NO.4732 - KE**

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

KENYA MEDICAL SUPPLIES AUTHORITY



WORLD BANK KE-4732

EAST AFRICA PUBLIC HEALTH
LABORATORY NETWORKING PROJECT
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2021

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

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT



**Reports and Financial Statements
For the year ended June 30, 2021**

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WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT



**Reports and Financial Statements
For the year ended June 30, 2021**

1. PROJECT GENERAL INFORMATION

(a) Project Physical Address

13 Commercial Street, Industrial Area,
P.O Box 47715 00100,
NAIROBI

(b) Project Contacts

Telephone: +254 20 3922 000
Email: info@kemsa.co.ke
Website www.kemsa.co.ke

(c) Project Bank

National Bank of Kenya
Harambee Avenue,
NAIROBI

(d) Auditors

Office of the Auditor-General
Anniversary Towers, University Way,
NAIROBI.

(e) Legal Advisers

The Attorney General
State law office,
Harambee Avenue
P. O. Box 40112
NAIROBI



**Reports and Financial Statements
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PROJECT INFORMATION

East Africa Public Health Laboratory Networking Project (EAPHLNP) started on 5th July 2010 and was expected to close on 31st March 2020 but was extended to 30th September 2020.

Project Development Objective was to establish a network of efficient high quality, accessible public health laboratories for the diagnosis and surveillance of TB and other communicable diseases.

The project includes three mutually reinforcing components which were to assist Kenya Rwanda, Tanzania and Uganda to diagnose communicable disease of public health importance and to share information about those diseases to amount an effective regional response.

Project Objectives

- Strengthen capacity to diagnose communicable diseases of public health importance and share information to mount an effective regional response.
- Support joint training and capacity building to expand the pool of qualified laboratory technicians.
- Fund joint operational research and promote knowledge sharing to enhance the evidence base for these investments and support regional coordination and program management.

In Kenya, the satellite laboratories are based at regional or district hospital in strategic cross border areas or in densely populated peri- urban areas where poverty is rampant and slum conditions serve as a breeding ground for the spread of diseases. Selected sites are based on;

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT



Reports and Financial Statements

For the year ended June 30, 2021

- Hospital located in high transmission areas with large numbers of migrants or refugees.
- Regional teaching hospitals which can serve as centres of excellence for conducting training and research
- Commitment to collaborate and coordinate efforts within and across countries

The satellite laboratories in Kenya are located in

- Machakos
- Malindi
- Kitale
- Busia
- National Public Health Laboratory Services
- Wajir

KEMSA is the procurement agent for EAPHL Project where funds are sent from World Bank through Ministry of Health to KEMSA to cater for cost of Equipment and consumables required at the satellite laboratories. Procurement functions are governed by procurement laws and are carried out in accordance with World Bank's guidelines.

KEMSA has been offering supply chain services to the project in line with World Bank guideline to ensure that the project achieves its set objectives.

Project Start Date:	July, 05 2010
Project End Date:	31st March 2020 but extended to 30th September 2020
Project Sponsor:	The World Bank, Government of Kenya

Project contact person:

Name: Head National Public Health Laboratory Services
East Africa Public Health Laboratory Networking Project

Email: mamoumuro@gmail.com



Reports and Financial Statements

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CHIEF EXECUTIVE OFFICER'S REPORT

KEMSA Act has mandated the Authority to establish mechanisms that ensure efficiency, effectiveness and sustainability in carrying out its mandate. To achieve this, the Authority has rolled out its Strategic Plan 2019 - 2024 which is in its first year of implementation. The Plan takes into consideration Kenya's Vision 2030; Medium Term Plan III which envisions to provide "equitable and affordable health care at the highest standards. The plan also takes into consideration the Sustainable Development Goals No. 3 which seeks to ensure healthy lives and promote wellbeing for all at all ages thereby thrusting the prominence of citizen's health to the forefront of responsibilities for all governments.

The Kenya government has continued to give priority to strengthening of National Health Systems. This has been done through deliberate measures to commit more funds to the health sector in the national budget and partnering with development agencies. With support from the World Bank East Africa Public Health Networking Project will bring together the public health laboratory of East Africa by building the capacity and giving regional focus to realize better health for the citizen.

KEMSA role in the implementation of the project was to offer supply chain services i.e. procurement, warehousing and distribution of laboratory equipment and consumables. KEMSA distributes program commodities which at times are integrated with Essential Medicines and Medical Supplies (EMMS). This includes reproductive health commodities, nutritional food supplements, TB/Leprosy laboratory equipment and consumable and ARV's. This is aimed at reducing distribution costs and managing medical commodities within one supply chain resulting in greater reach and efficiencies.

During the year 2020/2021, KEMSA used its strength in supply chain management to realize value for money in procuring laboratory equipment and consumables on behalf of the project.

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KEMSA will continue to invest in strategic partnership that add value to the discharge of its mandate under the KEMSA Act 2013 and realization of its Vision of being a leader in innovative health supply chain support solutions that support better health service delivery.

MR. EDWARD NJOROGE
AG .CHIEF EXECUTIVE OFFICER

Sign.....

Date.....18/11/2021.....

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT



Reports and Financial Statements

For the year ended June 30, 2021

PROJECT MANAGEMENT STATEMENT OF RESPONSIBILITIES

The project management is required to prepare financial statements, which give a true and fair view of the state of affairs of East Africa Public Health Laboratory Networking Project (EAPHLNP) as at the end of the financial year and of its surplus or deficit for that year. During FY 2020/2021 the project reported a deficit of **KSH. (11,674,361)** compared to a deficit of **KSH (85,821,512)** in FY 2019/2020.

The project management is required to ensure that the Authority maintains proper accounting records, which disclose with reasonable accuracy, the financial position of the project. The management is also responsible for safeguarding the assets of the project. The project management accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, consistent with previous years and in conformity with the international public sector accounting standards (IPSAS)

The project management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Project as at 30th June 2021 and of its surplus for the year then ended. The project management further confirms the accuracy and completeness of the accounting records maintained by the Authority, which has been relied upon for the preparation of financial statements as well as the adequacy of the systems of the internal financial controls.

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT



Reports and Financial Statements
For the year ended June 30, 2021

This statement is approved and signed by:

Mr. Waiganjo Karanja

Mr. Edward Njoroge

Director, Finance & Strategy

Ag. Chief Executive Officer

ICPAK M. No. 7023

Sign.....

Sign.....

Date... 18/11/2021

Date... 18/11/2021

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON EAST AFRICA PUBLIC HEALTH LABORATORY NETWORKING (EAPHLN) PROJECT CREDIT NO.4732 - KE FOR YEAR ENDED 30 JUNE, 2021 – KENYA MEDICAL SUPPLIES AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of of East Africa Public Health Laboratory Networking (EAPHLN) Project Credit No.4732 - KE set out on pages 10 to 21,

Report of the Auditor-General on East Africa Public Health Laboratory Networking (EAPHLN) Project Credit No.4732 - KE for year ended 30 June, 2021 – Kenya Medical Supplies Authority

which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of budget comparison 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, the financial position of East Africa Public Health Laboratory Networking (EAPHLN) Project Credit No.4732 - KE as at 30 June, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Agreement Credit No.4732 - KE dated 05 July, 2010 between the International Development Association and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Interest Expense

The statement of financial performance reflects interest expense of Kshs.11,343,918 as disclosed under Note 4 to the financial statements. The Management attributes the interest expense of Kshs.11,343,918 to interest income earned on the bank balances for the period 2012 to 2019 which was being refunded to the National Treasury. However, the computation and the treatment of the interest income over the project period could not be established.

The recognition therefore contravenes IPSAS 9(33) which states revenue arising from the use by others of entity assets yielding interest, royalties and dividends should be recognized when (a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and (b) the amount of the revenue can be measured reliably; and IPSAS 9(34)(a) which states that interest should be recognized on a time proportion basis that takes into account the effective yield on the asset.

Under the circumstances, the propriety, accuracy and completeness of interest expense of Kshs.11,343,918 for the year ended 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of East Africa Public Health Laboratory Networking (EAPHLN) Project Credit No.4732 - KE 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 opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Project Closure

A review of the financing agreement indicates that the Project was expected to come to an end on 30 September, 2020. However, the Project account has not been closed to date without any explanations. Failure to close the project contravenes section 74(6)(c) of the Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer of a national government entity shall ensure that whenever projects are completed, the project assets including buildings, plant, vehicles, furniture, fittings and equipment are properly recorded and handed over to the accounting officer in accordance with the financing agreement.

Consequently, the Project Management is in breach of law.

2. Preparation and Presentation of CR. No.4732(KEMSA) and CR. No.5616 (MOH) Financial Statements

The financing agreement of the East Africa Public Health Laboratory Networking (EAPHLN) Project Credit No.4732 KE between Republic of Kenya and International Development Association was signed on 05 July, 2010. In 2015 additional Subsidiary Financing Agreement for the East Africa Public Health Laboratory Networking Project Credit No.5616-KE was signed on 10 November, 2015. The Management prepared two (2) sets of financial statements under these financing agreements. However, the financing agreement signed on 10 November, 2015 stated under Appendix Section I Paragraph 21 on definitions, that "original financing agreement means the financing agreement for the East Africa Public Health Laboratory Networking Project between the recipient and the association, (Credit No.4732 KE)" and also under Section 5.01 of credit No.4732 - states the additional condition of effectiveness consists of the Subsidiary Agreement.

Consequently, the Management has not provided explanations for preparing the two separate sets of financial statements for the same project contrary to the position of the agreements.

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 effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Financing Agreement Credit No.4732 - KE dated 05 July, 2010, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the East Africa Public Health Laboratory Networking (EAPHLN) Project Credit No.4732 - KE, so far as appears from the examination of those records; and,
- iii. The financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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 Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the 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 Project's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 November, 2021

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT



Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF FINANCIAL PERFORMANCE			
For year ended 30th June, 2021			
	Note	2020/2021	2019/2020
		Kshs	Kshs
Revenue from non- exchange transactions			
Receipts from World Bank	1	-	-
Revenue from - exchange transactions			
Other Income	1	-	-
Total Revenue		-	-
Expenses			
Purchase of Medical Equipment & consumables	2	329,843	85,816,652
Bank Charge	3	600	4,860
Interest Expense	4	11,343,918	-
Total Expenses		11,674,361	85,821,512
Surplus/(Deficit) for the period		(11,674,361)	(85,821,512)

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT



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For the year ended June 30, 2021

STATEMENT OF FINANCIAL POSITION			
As at 30th June 2021			
Assets	Note	2020/2021 Kshs	2019/2020 Kshs
Current Assets			
Cash and Cash-equivalents	5	18,843,438	29,065,065
Total Current Assets		18,843,438	29,065,065
Non -Current Assets			
Non -Current Assets		-	-
Total Assets		18,843,438	29,065,065
Liabilities			
Current Liabilities			
Trade and other payables from exchange transaction	7	11,946,630	10,493,896
Non- current liabilities			
Total Liabilities		11,946,630	10,493,896
Net Assets		6,896,808	18,571,169
Revenue Reserves	6	6,896,808	18,571,169
Total Net Asset and Liabilities		18,843,438	29,065,065

The Financial Statements signed by;


Mr. Waiganjo Karanja
Director, Finance & Strategy

Mr. Edward Njoroge
Ag. Chief Executive Officer

ICPAK M. No... 7023

Sign... 

Date... 18/11/2021

Sign... 

Date... 18/11/2021



Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended 30th June, 2021

Attributable to the owners of the controlling entity						
	Self insurance reserve	Reserve capital replacement development reserve	Housing reserve	Accumulated Surplus	Minority interest	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 30 June 2019				104,392,681		104,392,681
Surplus for the Period Transfer to/(from) Accumulated Surplus				(85,821,512)		(85,821,512)
Balance as at 30 June 2020				18,571,169		18,571,169
Surplus for the Period Transfer to/from Accumulated Surplus				(11,674,361)		(11,674,361)
Balance as at 30 June 2021				6,896,808		6,896,808

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT



Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF CASHFLOW
As at 30th June, 2021

	Note	2020/2021 Kshs	2019/2020 Kshs
Cash flows from operating activities			
Receipts			
Receipts from World Bank	1	-	-
Interest Income	1	-	-
Total		-	-
Payments			
Payment to suppliers lab Equipment	2	329,843	85,816,651
Bank charge	3	600	4,860
Interest Expense	4	11,343,918	-
Cash from Operation		11,674,361	85,821,512
Cash flow from operating Activities		(11,674,361)	(85,821,512)
Adjust for:			
Decrease (Increase) in receivable		-	-
Increase (Decrease) in Payables		1,452,734	(2,490,900)
Net Cash flow from operating Activities		(10,221,627)	(88,312,412)
Net Cash used on investing Activities		-	-
Cash flow used in Finance Activities		-	-
Net Increase/Decrease in cash and Cash Equivalent		(10,221,627)	(88,312,412)
Cash & Cash Equivalents at the start of the Year		29,065,065	117,377,477
Cash & Cash equivalents at end of the year June 30 2021		18,843,438	29,065,065

**Reports and Financial Statements
 For the year ended June 30, 2021**

STATEMENT OF BUDGET COMPARISON				
For Financial Year ended June ,2021				
	Original Budget	Actual on Comparable Basis	Performance Difference	Reasons for re-allocation- IPSAS 24.29
	2020-2021	2020-2021	2020-2021	
Revenue				
Grants from East Africa Public Laboratory Networking Project	-	-	-	The actual receipt is based on prices realized after evaluation
Other Income		-	-	No interest during the financial year
TOTAL INCOME	-	-	-	
Payments				
Procurement of laboratory Equipment and Consumables	-	329,843	(329,843)	These are actual amounts relating to budgets of FY 18/19
Bank charges		600	(600)	These are the bank charges incurred during the year
Interest expense		11,343,918	(11,343,918)	This is interest payable to KEMSA from the project account
TOTAL EXPENSES	-	11,674,361	(11,674,361)	
SURPLUS FOR THE PERIOD	-	(11,674,361)	11,674,361	

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT



Reports and Financial Statements

For the year ended June 30, 2021

SUMMARY OF 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 on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS).

a). Revenue Recognition

i) Revenue from non-exchange transactions

Fees

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



Reports and Financial Statements

For the year ended June 30, 2021

value of the asset can be measured reliably.

Transfers from other Government Entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion. When the outcome of the transaction can be estimated reliably.

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

Finance Income

Finance income comprises interest receivable from holding current accounts.

b). Budget Information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.



Reports and Financial Statements
For the year ended June 30, 2021

c). Trade And Other Receivables

Trade and other receivables are recognized at fair values.

d). Cash And Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

e). Trade And Other Payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

f). Exchange Rate Differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation as at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. KEMSA uses Central Bank Mean rate as at end of reporting period.

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g) Comparative figures

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

h). Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

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NOTES TO THE FINANCIAL STATEMENTS FY 2020/2021

1	<u>Operating Income</u>		
		2020/2021	2019/2020
		Kshs	Kshs
	Receipts from World Bank	-	-
	Other income - Interest Income	-	-
	Total	=	=
2	<u>Purchase of medical Equipment</u>		
		2020/2021	2019/2020
		Kshs	Kshs
	Purchase of Medical Equipment and Consumables	329,843	85,816,651
	Total	329,843	85,816,651
3	<u>Finance cost</u>		
		2020/2021	2019/2020
		Kshs	Kshs
	Bank charge	600	4,860
	Total	600	4,860
4	<u>Interest Expense</u>		
		2020/2021	2019/2020
		Kshs	Kshs
	Interest Expense	11,343,918	-
	Total	11,343,918	-
5	<u>Cash and Cash Equivalents</u>		
		2020/2021	2019/2020
		Kshs	Kshs
	Bank balance as at end of the period	18,843,438	29,065,065
	Total	18,843,438	29,065,065

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NOTES TO THE FINANCIAL STATEMENTS FY 2020/2021

6	<u>Revenue Reserves</u>	2020/2021	2019/2020
		Kshs	Kshs
	At the beginning of the year	18,571,169	104,392,681
	Deficit / surplus for the year	(11,674,361)	(85,821,512)
	Balance at year end	6,896,808	18,571,169
7	<u>Trade and other payable</u>	2020/2021	2019/2020
		Kshs	Kshs
	MED AFRICA LTD	-	9,891,184
	10% Retention (Anzal Eng Ltd)	216,571	216,571
	ANZAL 3% contractor fees	22,474	22,474
	ANZAL 10% Retention	86,901	86,901
	ANZAL 10% Retention APP 2665-18/19	276,767	276,767
	Interest payable to KEMSA Main	11,343,918	-
	Total	11,946,630	10,493,896
8	<u>Cash Flow from Operations</u>	2020/2021	2019/2020
	Surplus (Deficit) for the year	(11,674,361)	(85,821,512)
	Working Capital Adjustments:		
	Decrease/(Increase) in Receivables	-	-
	(Decrease)/Increase in payables	1,452,734	(2,490,900)
	Net Cash Flows from Operating Activities	(10,221,627)	(88,312,412)

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PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

There were no issues raised by the external auditor, that needed resolving during the financial year.