
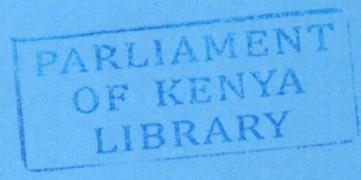


REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 FEB 2022	DAY: Wed
TABLED BY: WMA	THE AUDITOR-GENERAL
CLERK OF THE TABLE: S. Kalama	



OF

ON

**HEALTH SECTOR SUPPORT PROJECT - SWAp
SECRETARIAT - IDA CR NO. 4771 - KE
AND CR. No. 5367 - KE**

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

MINISTRY OF HEALTH



KENYA HEALTH SECTOR SUPPORT PROJECT

SWAp SECRETARIAT

**CREDIT NUMBER: 4771 – KE
&
CREDIT NUMBER: 5367- KE**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

*Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 - KE
Reports and Financial Statements
For the financial year ended 30th June, 2021*

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PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The Kenya health Sector Support Project – SWAp SECRETARIAT Credit Number 4771-KE.

Objective: The key objective of the project is to reduce health inequalities and to reverse the downward trend in the health of Kenyan people.

Address: The project headquarters offices are Nairobi (city), Nairobi County, Kenya.

The address of its registered office is Ministry of Health
P.O. Box 30016-00100 Nairobi.

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

Contacts: The following are the project contacts

Telephone: (254) -020-2717077

E-mail: ps@health.go.ke

Website: www.health.go.ke

1.2 Project Information

Project Start Date:	The project start date is 30 th September, 2010
Project End Date:	The project end date is 30 th June, 2018
Project Manager:	The project manager is Dr. David Kariuki
Project Sponsor:	The project sponsor is Dr. Gandham N.V Ramana

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Health.
Project number	CR – 4771 –KE & CR-5367-KE
Strategic goals of the project	The strategic goals of the project were as follows: (i) To ensure an improved Health services to the Kenyan population especially the poor. (ii) To reduce Health inequity
Achievement of strategic goals	The project management managed to achieve the goals through the following means: (i) By improving health services and strengthening systems. (ii) Providing funds to NHIF to pay for the poor. (iii) Improving referral systems. (iv) Improving environmental Health systems. (v) Surveys on household service delivery indicators as per WB Requirements
Other important background information of the project	The project operated within a sector wide approach. The foundation is laid down in the National Health Sector Strategic Plan 2005-2012.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas The project initiated health subsidy through NHIF: (i) The Health of the Kenyan people has improved especially the large population of the Kenyan people (poor) can now access medical attention for free. (ii) The project has provided financing to commodities and has strengthened the logistics system. (iii) The project facilitated the self-autonomy of the health facilities (iv) The project was responsible for the Capitalization of Kemsas which by the time of closure had a revolving fund
Project duration	The project started on 30 th September 2010 and is expected UP TO 30 th June 2018.

OBJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year: (Both Project Account and Deposit account)

Co-operative Bank
Ukulima Cooperative
P.O. Box 74956-00100
Nairobi

1.5 Auditors

Auditor General
P.O Box 30084 – 00100
Nairobi.

1.6 Roles and Responsibilities

List of the different people who are working on the project.

Names	Title designation	Key qualification	Responsibilities
Dr. David Kariuki	Head, Directorate of policy, planning and Health care Financing.	MB chB, Msc	Project oversight and overall coordination of activities of the Directorate and Project Coordinator
Alice Olango	Project Accountant	Bcom, CPA(K)	Preparation of Financial reports as required from time to time e.g. IFR, Bank reconciliation, exchequer requisition, Vote book , preparation of project F/S , responding to Audit issues etc.

**Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 - KE
Reports and Financial Statements
For the financial year ended 30th June, 2021**

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Funding summary

The original credit IDA 4771 had three components i.e. HSSF, EMMS and SWAp Non Pool. So far the Government has secured two additional credits i.e. IDA 5034 and 81623. Each component has been treated as a separate entity. Under SWAp Non pool, the Ministry of Health has so far received the following amount since inception.

Source of funds	Donor Commitment-		Amount received to date – (30 th June 2021)		Undrawn balance to date (30th June 2021)	
	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
IDA	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
IDA - 47710	24,582,682	2,067,872,262	24,582,682	2,067,872,262	-	-
IDA - 53680	41,000,000	4,100,000,000	36,546,557	3,654,655,700	4,453,443	445,344,300
Total	65,582,682	6,167,872,262	61,129,239	5,722,527,962	4,453,443	445,344,300

1.8 Summary of Overall Project Performance:

- Over ambitious work plan
- The Project was able to achieve the targeted objectives as they were set in the work plan of 2017/2018.

1.9 Summary of Project Compliance:

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

STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of Health and the Project Coordinator for Kenya Health Sector Support Project – SWAp Secretariat 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 June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

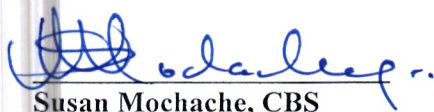
The Principal Secretary for the Ministry of Health and the Project Coordinator for Kenya Health Sector Support Project – SWAp Secretariat accept responsibility for the Project’s financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the Ministry of Health and the Project Coordinator for Kenya Health Sector Support Project – SWAp Secretariat 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, 2021, and of the Project’s financial position as at that date. The Principal Secretary for the Ministry of Health and the Project Coordinator for Kenya Health Sector Support project – SWAp Secretariat further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the Ministry of Health and the Project Coordinator for Kenya Health Sector Support project – SWAp Secretariat confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

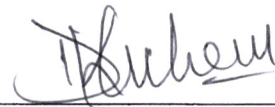
Approval of the Project financial statements

The Project financial statements were approved by The Principal Secretary for the Ministry of Health and the Project Coordinator for Kenya Health Sector Support project – SWAp Secretariat on 30 September 2021 and signed by them.



Susan Mochache, CBS
Principal Secretary

29/11/2021



Dr. David Kariuki
Project Coordinator

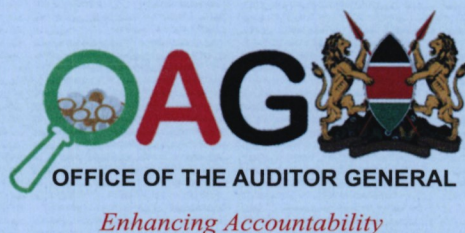
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*Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 - KE
Reports and Financial Statements
For the financial year ended 30th June, 2021*

**3. REPORT OF THE AUDITOR- GENERAL ON THE - KENYA HEALTH SECTOR SUPPORT
PROJECT – SWAP SECRETARIAT -CREDIT NUMBER 4771 – KE AND 5367 - KE**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON HEALTH SECTOR SUPPORT PROJECT - SWAp SECRETARIAT - IDA CR NO. 4771 - KE AND CR. No. 5367 - KE FOR THE YEAR ENDED 30 JUNE, 2021 - MINISTRY OF HEALTH

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, 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 Health Sector Support Project - SWAp Secretariat - IDA Cr No. 4771 - KE and Cr. No. 5367-KE for the year ended 30 June, 2021 - Ministry of Health set out on pages 1 to 21, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 Health Sector Support Project - SWAp Secretariat - IDA Cr No. 4771 - KE and Cr. No. 5367 - KE as at 30 June, 2021, and (of) its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement dated 10 February, 2012 and 21 January, 2014 between International Development Association and the Republic of Kenya; and the Public Finance Act, 2012.

Basis for Qualified Opinion

1.0 Cash and Cash Equivalents

The statement of financial assets reflects bank balance of Kshs.289,178,320 (2020 - Kshs.289,178,800) as disclosed under Note 9.7A to the financial statements. Review of correspondences revealed that the National Treasury requested the World Bank to cancel the undisbursed balances under Kenya Health Support Project estimated at USD. 4,628,182.31 vide letter reference EA/FA 63/76/06/ 'E' (92) of 25 June, 2018. On 20 February, 2019, the World Bank indicated that final transactions were processed on 13 February, 2019 and therefore credit account IDA 5367-KE was closed. The management has not explained the source of the bank balance whether from GOK or donor funding. In addition, the utilization of funds held in the bank account could not also be ascertained.

Under the circumstances, the accuracy, validity and completeness of bank balance of Kshs.289,178,320 as at 30 June, 2021 could not be confirmed.

2.0 Variance on Loan from External Development

The statement of receipts and payments reflects cumulative loan from external development partners to date of Kshs.6,586,234,016 while the project information and

overall performance under 1.7 funding summary reflects amounts received to date of Kshs.5,722,527,962 resulting to unreconciled variance of Kshs.863,706,054.

Consequently, the accuracy and completeness of the above balances included in the financial statements for the year ended 30 June, 2021 as prepared and presented could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Health Sector Support Project - SWAp Secretariat - IDA Cr No. 4771 - KE and Cr. No. 5367 - 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 qualified opinion.

Emphasis of Matter

Failure to Utilize Full Funding

The project had an approved budget of Kshs.6,167,872,262 as funding from co-financiers. The funding summary reflects amounts received of Kshs.5,722,527,962 resulting to undrawn balance of Kshs.445,344,300 as at 30 June, 2021.

Consequently, there is no explanation as to why the project was not able to utilize these funds to achieve its planned objectives for the year ended 30 June, 2021.

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

Closure of the Project Account

The Project effectiveness date was on 30 September, 2010 with expected end date of 31 December, 2016 which was extended to 30 June, 2018. The project held a bank balance of Kshs.289,178,320 as at 30 June, 2021 and incurred expenditure of Kshs.170,560 in the year under review. However, the Management did not provide any evidence of formal request to the International Development Association (IDA) for Project extension beyond 30 June, 2018.

Consequently, any transactions from the Project account contravene financing agreement section iv part B (2) on withdrawal conditions; withdrawal period which states that the closing date in respect of the original credit, first additional credit and the second additional credit is December 31, 2016 (extended to 30 June, 2018).

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Financing Agreements dated 10 February, 2012 and 21 January, 2014, 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 Health Sector Support Project - SWAp Secretariat - IDA Cr No. 4771 - KE and Cr. No. 5367 - 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 (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain 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 liquidate the Project or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them 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 judgment 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 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 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 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

24 November, 2021

4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

RECEIPTS	Notes	2020/21		2019/20		Cumulative to date
		Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
		Kshs	Kshs	Kshs	Kshs	Kshs
Loan from external development partners	9.1	-	-	-	-	6,586,234,016
Miscellaneous receipts	9.2	-	-	289,140,119	-	291,033,111
Total receipts		-	-	289,140,119	-	6,877,267,127
PAYMENTS						
Compensation of employees	9.3	-	-	-	-	20,307,734
Purchase of goods and services	9.4	170,560	-	2,040	-	1,878,806,613
Acquisition of non-financial assets	9.5	-	-	-	-	360,659,998
Transfers to other government entities	9.6	-	-	-	-	4,328,484,062
TOTAL PAYMENTS		170,560	-	2,040	-	6,588,258,407
SURPLUS/DEFICIT FOR THE YEAR		(170,560)	-	289,138,079	-	289,008,720

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

Susan Mochache
 Susan Mochache, CBS

Principal Secretary
 Date 29/11/2021

Dr. David Kariuki
 Dr. David Kariuki

Project Coordinator
 Date: 19/11/21

Alice Olango
 Alice Olango
 Project Accountant

ICPAK NO 15259
 Date: 19/11/2021

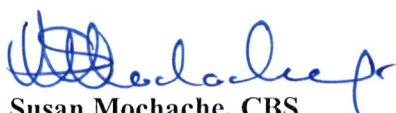
*Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 - KE
Reports and Financial Statements
For the financial year ended 30th June, 2021*

5. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Notes	2020/21 Kshs	2019/20 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9.7A	289,178,320	289,178,800
Imprests and Advances	9.7 C	-	170,080
TOTAL FINANCIAL ASSETS		<u>289,178,320</u>	<u>289,348,880</u>
REPRESENTED BY:			
Funds Balance B/F	9.7B	289,348,880	210,801
Surplus/Deficit for the year		(170,560)	289,138,079
NET FINANCIAL POSITION		289,178,320	289,348,880

Note: The imprest of Kshs 170,080 which was outstanding was eventually surrendered and expensed.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 September 2021 and signed by:


Susan Mochache, CBS


Dr. David Kariuki


Alice Olango

Principal Secretary

Project Coordinator

Project Accountant

Date 29/11/2021

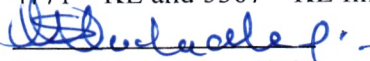
Date 19/11/21

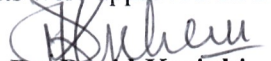
ICPAK No: 15259
Date 19/11/21


6. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE, 2021

	Notes	2020/21 Kshs	2019/20 Kshs
Receipts for operating income			
Miscellaneous receipts	9.2	-	289,140,119
Payments for operating expenses			
Compensation of employees	9.3		-
Purchase of goods and services	9.4	(170,560)	(2,040)
Transfers to other government entities	9.5		
Adjusted for:			
Decrease/(Increase) in Receivables	9.7 C	170,080	
Net cash flow from operating activities		(480)	289,138,079
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	9.5	-	-
Net cash flows from Investing Activities		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from external development partners	9.1	-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(480)	289,138,079
Cash and cash equivalent at BEGINNING of the year		289,178,800	40,721
Cash and cash equivalent at END of the year		289,178,320	289,178,800

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 – KE financial statements were approved on 30 September 2021 and signed by:


Susan Mochache, CBS
Principal Secretary


Dr. David Kariuki
Project Coordinator


Alice Olango
Project Accountant
ICPAK NUMBER: 13259

29/11/2021
Date

Date 19/11/21

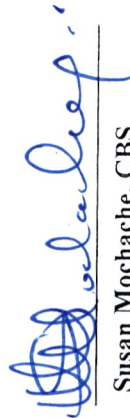
Date 19/11/21

Kenya Health Sector Support Project – SWAp Secretariat – Credit Number 4771 – KE and 5367 – KE
 Reports and Financial Statements
 For the financial year ended 30th June, 2021

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE, 2021

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Variance e=d-c	% of Variance f=e/c %
Receipts						
Proceeds from borrowings						
Miscellaneous receipts						
Total Receipts						
Payments						
Capital transfers to non – profit organization and associations						
Interest						
Total Payments						

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


 Susan Mochache, CBS
 Principal Secretary

29/11/2021
 Date


 Dr. David Kariuki
 Project Coordinator

19/11/21
 Date



Alice Olango
 Project Accountant
 ICPAK NO 1255

19/11/21
 Date

8. SIGNIFICANT ACCOUNTING POLICIES

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

8.1 Statement of compliance and basis of preparation

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

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

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

8.2 Reporting Entity

The financial statements are for the Project Kenya Health Sector Support Project – SWAp Secretariat under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

8.2.1 Reporting Currency

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

8.3 Significant Accounting Policies

i. Recognition of revenue and expenses

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

ii. 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.

Significant Accounting Policies (Continued)

iii. **Proceeds from Borrowing**

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

iv. **Undrawn External Assistance**

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

v. **Acquisition of fixed assets**

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

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

vi. **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.

vii. **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 had not been surrendered or accounted for at the end of the financial year.

Significant Accounting Policies (Continued)

viii. Accounts receivables

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.

ix. 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 Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 – KE; 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 Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 – KE does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

x. Contingent Assets

The Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 – KE 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 Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 – KE 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.

Significant Accounting Policies (Continued)

xi. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

xii. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Project’s budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. A high-level assessment of the Project’s actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

xiii. 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.

xiv. Exchange Rate Difference

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.

xv. Comparative figures

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

xvi. 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.

Significant Accounting Policies (Continued)

xvii. **Errors**

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

9.0 NOTES TO THE FINANCIAL STATEMENTS

9.1 Loan from External Development Partners

During the 12 months to 30 June 2021, we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					FY 2020/21	FY 2019/20
Loans Received from Multilateral Donors (International Organizations)						
IDA - WORLD BANK	-		-			-
Receipt made by 3 rd Parties						-
Total			0	0	0	-

9.2 Miscellaneous Receipts

	Receipts controlled by the entity in Cash		Receipts controlled by third parties		Cumulative to - date
	Kshs	FY 2020/21	Kshs	FY 2019/20	
Other receipts not classified elsewhere- refund from KEMSA	-	-	-	289,090,323	290,983,315
Imprest surrendered in cash	-	-	-	49,796	49,796
	-	0	-	289,140,119	289,033,111

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.3 Compensation of Employees

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	2020/21 Kshs	2019/20 Kshs	Cumulative to-date
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	20,108,714
Compulsory national health insurance schemes	-	-	-	-	199,020
TOTAL	-	-	-	-	20,307,734

9.4 PURCHASE OF GOODS AND SERVICES

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	2020/21 Kshs	2019/20 Kshs	Cumulative to-date
Communication, supplies and services		-	-	18,132,000	50,179,423
Domestic travel and subsistence	170,080	-	-	43,256,782	774,046,851
Foreign travel and subsistence		-		-	23,943,918
Professional fee		-	-	38,377,417	486,561,779
Printing, advertising and information supplies & services		-	-	79,423,000	303,434,446
Training		-	-	14,302,200	37,176,581
Hospitality supplies and services		-	-	7,567,185	174,048,047
Other operating expenses		-	-	-	16,201,348
Vehicle and other Transport Equipment		-	-	329,525	12,557,580
Bank charges	480		2,040	316,420	318,460
Exchange rate losses/gains (net)			-	-	168,200
TOTAL	170,560	-	2,040	201,704,529	1,878,636,633

*Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 - KE
Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.5 Acquisition of Non-Financial Assets

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	2020/21 Kshs	2019/20 Kshs	Cumulative to-date
Purchase of vehicles & other transport equipment	-	-	-	-	329,187,923
Purchase of office furniture & general equipment	-	-	-	-	31,472,075
	-	-	-	-	360,659,998

9.6 Transfers to other government entities

During the 12 months to 30 June 2021, we transferred funds to reporting government entities as shown below:

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	Financial Year 2020/21 Kshs	Financial Year 2019/20 Kshs	Cumulative To date Kshs
Transfers to National Government entities					
Ministry of Health - NHIF	-	-	-	-	1,452,155,106
K.S.G	-	-	-	-	489,396,353
KEMSA	-	-	-	-	929,897,818
N.C.P.D	-	-	-	-	234,543,580
AMREF	-	-	-	-	287,268,370
Ministry of Health - K.M.T.C					548,896,637
UNITED NATIONS CHILDREN'S FUND					386,326,198
TOTALS	-	-	-	-	<u>4,328,484,062</u>

*Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 - KE
Reports and Financial Statements
For the financial year ended 30th June, 2021*

	2020/21	2019/20
	Kshs	Kshs
9.7A Bank Accounts		
Local Currency Accounts		
Co-operative Bank of Kenya [A/c No 01141134282300]	289,178,320	289,178,800
Total local currency balances	289,178,320	289,178,800
Total bank account balances	289,178,320	289,178,800

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2021 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

	2020/21	2019/20
	KShs	KShs
(i) A/C Name [A/c No 02120134338000]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	=
Closing balance (as per SDA bank account reconciliation attached)	<u>0.00</u>	<u>0.00</u>
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	=

*Kenya Health Sector Support Project – SWAp Secretariat -Credit Number 4771 – KE and 5367 - KE
 Reports and Financial Statements
 For the financial year ended 30th June, 2021*

NOTES TO THE FINANCIAL STATEMENTS (Continued)		
9.7B Funds Balance B/Fwd.		
	2020/21	2019/20
Fund Balance b/f	289,178,800	Kshs 40,721
Miscellaneous Receipts	-	289,140,119
Surplus/deficit	(170,560)	(2,040)
Balance c/d	289,178,320	289,178,800

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.8C Outstanding Imprests and Advances

Name of Officer or Institution	Imprest No.	Amount Taken	Date Taken	Due Date of Surrender	Amount Surrendered	Balance	
						2021	2020
Total							

*Kenya Health Sector Support Project – SWAp Secretariat – Credit Number 4771 – KE and 5367 – KE
Reports and Financial Statements
For the financial year ended 30th June, 2021*

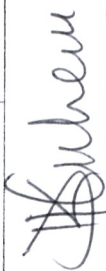
10. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	Lack of approved Budget	Not needed because no new activity was undertaken	Dr Valeria, Project coordinator	Resolved	
1	Irregular Project Extension	There was a grace period of 4 months to complete operations	Dr Valeria, Project coordinator	Resolved	


Susan Mochache, CBS
Principal Secretary

29/11/2021
Date


Dr. David Kariuki
Project Coordinator

19/11/21
Date

Reports and Financial Statements

For the financial year ended 30th June, 2021

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget a	Actual on Comparable Basis b	Budget Utilization Variance c=a-b	% of Utilization Variance to Final Budget d=c/a %	Comments on Variance
RECEIPTS DURING THE YEAR/PERIOD					
Government of Kenya	-	-	-		
External financing					
Miscellaneous receipts		-	-	-	
Total receipts		-	-	-	
PAYMENTS DURING THE YEAR/PERIOD					
Capital transfers to non - profit organization and associations					
Total payments					

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

Kenya Health Sector Support Project – SWAp Secretariat Credit Number 4771 – KE and 5367 - KE
Statement of Budget Performance
For the year ended June 30, 2021

ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2020	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (Kshs) (a)	*Purchases/Additions in the Year (Kshs) 2020/21 (b)	Transfer to Ministry (Kshs) 2019/20 (c)	Closing Cost (Kshs) (d)= (a)+ (b)-(c)
Office equipment, furniture and fittings	2,430,400	-	2,430,400	-
ICT Equipment, Software and Other ICT Assets	29,041,675	-	29,041,675	-
Other Machinery and Equipment	329,187,923	-	329,187,923	-
Intangible assets	-	-	-	-
Total	360,659,998	-	360,659,998	-