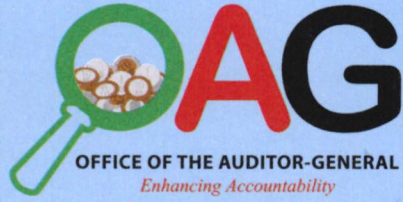
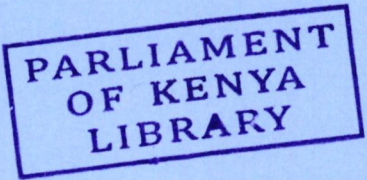


REPUBLIC OF KENYA



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, 2025

PAPERS LAID	
DATE	29/11/2025
TABLED BY	Majority Loh
COMMITTEE	
CLERK AT THE TABLE	Belinda

COUNTY GOVERNMENT OF KISII



PROJECT NAME: KENYA HEALTH SECTOR PROGRAMME SUPPORT III

IMPLEMENTING ENTITY: COUNTY GOVERNMENT OF KISII

PROJECT GRANT NUMBER: DANIDA (GRANT)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2025

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

Table Contents	Page
1. ACRONYMS AND GLOSSARY OF TERMS.....	iii
2. PROJECT INFORMATION AND OVERALL PERFORMANCE	iv
3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES.....	xi
4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xv
5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xvii
6. REPORT OF THE AUDITOR-GENERAL ON FINANCIAL STATEMENTS FOR KENYA HEALTH SECTOR PROGRAMME SUPPORT III, DANIDA (GRANT).....	xix
7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 TH JUNE 2025.....	1
8. STATEMENT OF FINANCIAL ASSETS AS AT 30 TH JUNE 2025.....	2
9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH JUNE 2025.....	3
10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 30 TH JUNE 2025	4
11. SIGNIFICANT ACCOUNTING POLICIES	5
12. NOTES TO THE FINANCIAL STATEMENTS.....	13
13. ANNEXES	21

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
TIKO	Trigarise NGO
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

Website: 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 (Grant)
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Increase equitable access to health services (ii) Improve the quality and responsiveness of services in the sector (iii) Improve the efficiency and effectiveness of service delivery (iv) Enhance the regulatory capacity (v) Foster partnerships in improving health and delivering services (vi) Improve the financing of the health sector
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"> (i) Scale up the support to the Kenyan Essential Package of Health (ii) Support capacity building through technical

Kenya Health Sector Programme Support III, Danida (Grant)
Annual Report and Financial Statements for the financial year ended 30 June, 2025

	assistance in 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"> (i) Support to KEPH and HSSF (ii) Support to health systems strengthening and capacity building
Project duration	Until 30 th June 2027

Kenya Health Sector Programme Support III, Danida (Grant)
Annual Report and Financial Statements for the financial year ended 30 June, 2025

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

Names	Title designation	Key qualification	Responsibilities
Ronald G Nyakweba	CEC Health	B.Edu,Dip HRM	Policies Formulation
CPA James Oenga Marochi	Chief Officer Health	Msc Finance	Accounting Officer
Dr Richard Onkware	Director Health	MB.chB,MBA,MPH	Supervision
Dr Matiko Giabe	Director Health	MB.chB, M.Med.MM	Supervision
Dr Olande Albert	Focal Person	BPharm, MSC Epid	Operation M&E

The above is for top management and is not conclusive as the project include various county employees.

2.7 Funding summary

The Project second phase come to an end in 30th June 2020 and was renewed for a duration of 5 years from 2021 to 2026 with an approved budget of KES 168,633,000.00 with the following modalities.

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	Total
Danida PHC Support	22,140,000	17,250,750	13,284,000	11,070,000	8,856,000	8,856,000	-	81,456,750
County Contribution	-	4,889,250	8,856,000	11,070,000	13,284,000	13,284,000	22,140,000	73,523,250
Danida Support Level 1			3,136,500	3,136,500	3,690,000	3,690,000		13,653,000
TOTAL	22,140,000	22,140,000	25,276,500	25,276,500	25,830,000	25,830,000	22,140,000	168,633,000

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 th June 2025)		Undrawn balance to date	
	DKK	Kshs	DKK	Kshs	DKK	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
DANIDA	4,682,903	95,109,750	3,447,452	70,017,750	1,235,451	25,092,000
(ii) Counterpart funds						
County Government of Kisii	3,620,052	73,523,250	1,221,824	24,815,250	2,398,227	48,708,000
Total	8,302,955	168,633,000	4,669,276	94,833,000	3,633,678	73,800,000

PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative amount paid to date – (30 th June 2025)		Unutilised balance to date (30th June 2025)	
	<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>
(i) Grant						
DANIDA	3,447,452	70,017,750	3,447,452	70,017,750	-	-
(i) Counterpart funds						
County Government of Kisii	1,875,886	38,099,250	1,221,824	24,815,250	654,062	13,284,000
Total	5,323,338	108,117,000	3,970,263	94,833,000	654,062	13,284,000

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 100% SHA/SHIF 5% only counterpart funding from County Government of Kisii 100%, translating to a 30% total receipt of funds.
- ii) The output of the project has shown a dip in performance compared to last year, this could be due to funding gap
- 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 al.
- iv) Challenges mostly faced is funding arriving late, slow or no claims for SHA/SHIF reimbursements and turnover of incharges which requires training. The county should set aside funds for training and encourage facilities incharges to claim from SHA/SHIF and Danida to be disburse on time.

2.9 Summary of Project Compliance:

- i) Transfer of funds to SPA within 10days and to facilities within 15days after the fund hit SPA was not met due to budget constraints.
- ii) Disburse counterpart funding in full within the year which was not done.
- iii) Reporting quarterly within 20 days 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 8 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

Kenya Health Sector Programme Support III, Danida(Grant)
Annual Report and Financial Statements for the financial year ended June 30, 2025

Progress on attainment of strategic development objectives

COUNTY PERFORMANCE INDICATORS							
Indicator	Numerator	Denominator (D)-description	Denominator D	Percentage (100 * N/D)	Baseline (2021/2022)	Target (2025/2026)	Data Source
Children immunized with the third dose of pentavalent	32,214	Estimated number of children younger than one year for a given period	42,587	75.6%	90%	95%	KHIS2
Pregnant women attending at least 4 ANC visits	17,842	Estimated number of pregnancies.	43,942	40.6%	53%	57%	KHIS2
Births attended by skilled health personnel	28,420	Estimated number of pregnancies.	43,942	64.7%	83.6 %	88%	KHIS2
Women between the age of 15-49 currently using modern FP method	189,727	Proportion of Women aged 15-49 Years	355,145	53.4%	29%	61%	KHIS2
Inspected facilities meeting safety standards	0	Number of health facilities (L2-L4) in the county	161	0%	47%	30%	CHMT-JHIC Reports
Per capita outpatient (OPD) utilization rate annually	2,830,199.3	County population	1,504,852	1.88	2	2	KHIS2
Facilities submitting complete DHIS data	296	Number of health facilities issued with reporting tools.	302	98%	100 %	100%	KHIS2
Functional CU	294	Total number of	294	100%	100 %	100%	MCUL

Kenya Health Sector Programme Support III, Danida(Grant)
Annual Report and Financial Statements for the financial year ended June 30, 2025

		CU established					
Grievances registered related to delivery of project benefits that are addressed	0	Total number of grievances related to delivery of project benefits registered and addressed at the county levels	141	0%	0%	0%	Grievance Register
Health facilities inspected for safety standards (i.e. JHIC)	0	Number of health facilities (L2-L4) in the county	161	0%	38%	30%	CHMT-JHIC Report
Pregnant women attending ANC supplemented with IFA	56,736	Estimated number of pregnancies	43,942	129%	270%	100%	KHIS2
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	254	Number of health facilities issued with reporting tools.	302	84%	99.5%	100%	KHIS2
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		95,021					KHIS2

Kenya Health Sector Programme Support III, Danida(Grant)
Annual Report and Financial Statements for the financial year ended June 30, 2025

visits for nutrition services); and number of deliveries attended by skilled health personnel)							
County spending, at least 20 percent of the budget (excl. conditional grants), on health	4,213,775,707	Total County Budget, excluding Conditional grants	14,532,935,923	29%			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, 2025.

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.


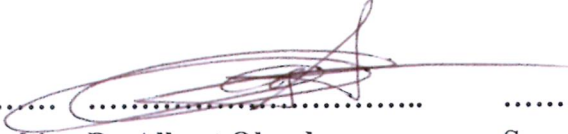

The Chief Officer Health for the County Government of Kisii and the Project Focal Person for DANIDA/HSPS-III accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with 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, 2025, 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.

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 15 AUGUST 2025 and signed by:

		
.....
James Oenga Marochi	Dr Albert Olande	Samuel Mutai
Chief Officer Health	Project Focal Person	Project Accountant
		ICPAK Member No:12519

REPUBLIC OF KENYA

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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, 2025 – COUNTY GOVERNMENT OF KISII

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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Disclaimer of Opinion is issued when the Auditor-General is unable to obtain sufficient appropriate audit evidence to form an opinion on the financial statements. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of 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 1 to 21, which comprise the statement of financial assets as at 30 June, 2025 and the statement of receipts and payments, statement of cash flows and the statement of comparison of 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Failure to Adopt to IPSAS Accrual Reporting Format

Review of the financial statements presented for audit review revealed that the financial statements for the period have been prepared on cash basis accounting method. This was contrary to the National Treasury Circular No. 03/2025 dated 14 April, 2025 which requires all entities to transition to IPSAS accrual reporting format. As a result, the following deficiencies were noted in the annual report and financial statements presented for audit.

- i) The entity did not prepare 1st transitional IPSAS Accrual financial statements that include all financial assets, all financial liabilities and all non- financial assets including inventories as at 30 June, 2025.
- ii) Management has not disclosed information regarding its compliance with IPSAS 33, in the financial statements particularly the progress made towards full compliance with accrual basis IPSASs. This includes disclosures about the nature and effect of any transitional provisions applied.
- iii) Management has not communicated the applicable dates of migration to accrual communicated and owned up by the accounting officers. This is to ensure adherence to the 3-year transition period to full IPSAS Accrual compliance as provided by the standards through IPSAS 33 on first- time adoption of IPSASs.
- iv) There was no evidence provided to confirm that the entity has engaged the internal stakeholders to ensure entity buy-in as well as effective communication of the roles to be played by each of the staff members during the transition process and the expected benefit of the whole transition process.
- v) Management did not provide evidence to confirm that the transition process is spearheaded through a project co-ordination committee that will be established at entity level made up of officers from relevant departments which will be responsible for coordinating adoption of the Accrual Accounting within the entire organization.

In the circumstances, the financial statements as prepared and presented are not IPSAS Accrual compliant while management is in breach of National Treasury Circular No. 03/2025 dated 14 April 2025.

2. Unsupported Cash and Cash Equivalents

The statement of financial assets reflect cash and cash equivalents balance of Kshs.13,065,897. However, review of the cash book, bank statements and bank balance certificate revealed that Management did not provide bank reconciliation statements and board of survey reports for all the facilities bank accounts maintained by the Fund. Further, Management did not provide certificate of confirmation of bank balances for bank accounts relating to seventy-eight (78) health facilities. Further, cashbook and bank statements in respect to HSSF/Beyond Zero were not provided

for audit review. Further review noted that management made cashbook adjustments of Kshs.181,360 and Kshs.80,000 in respect to Matongo and Nyakwana dispensaries respectively both totalling to Kshs.261,360. However, the cash book adjustments were not supported or explained.

In the circumstances, the accuracy and completeness of cash and cash equivalent balance of Kshs.13,065,897 could not be confirmed.

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amount on comparable basis amounts of Kshs.129,058,097 and Kshs.48,389,153 respectively, resulting in an underfunding of Kshs.80,668,944 or 63% of the budget. Similarly, the Programme spent Kshs.35,323,256 against actual receipt of Kshs.48,892,047 resulting in an under-utilization of Kshs.13,065,897 or 27% of the actual receipts.

In the circumstances, the under-funding and under-utilization may have impacted negatively on service delivery to the residents of Kisii County.

4. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2024. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed in the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

Non-implementation of the previous audit recommendations implies anomalies noted during audit might have continued to recur, hence affecting the operational efficiency of the Fund.

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

Review on the documents provided revealed that Kshs.11,992,500 donor commitments to the project reached the County Revenue Fund after the close of the financial year on 10 July, 2025 as grants for the implementation of the planned programme for the financial year 2024/2025. However, at the time of audit on 21 August, 2025, the funds were still being held in the designated special purpose account and had not been released to the health facilities. This was contrary to the Memorandum of Understanding (MoU) between Royal Danish Embassy and Ministry of Health, Council of Governors and County Governments, which requires that such funds should be transferred to the health care facilities within twenty-five (25) days.

In the circumstances, the objectives of the programme may not be realized within the planned time frame while Management was in breach of the MoU.

6. Non-compliance with the Legal Minimum Wages

The statement of receipts and payments reflects compensation of employees amount of Kshs.15,863,064 which, as disclosed in Note 3 to the financial statements, comprises basic wages of temporary employees of Kshs.15,075,780 and compulsory national social security scheme amount of Kshs.787,284. The amounts relate to

payments to casual workers engaged in the various health facilities during the year under review. Documents provided for audit review revealed that the employees were assigned either cleaning, data clerk or security roles at an average pay ranging from Kshs.3,000 to Kshs.6,000 per month which varied in different facilities. However, the wages paid were contrary to Gazette Supplement No. 114 and Legal Notice No.125 on the Regulation of Wages Order, 2022 which set minimum wages for cleaners and watchmen at Kshs. 9,673 per month.

Further, review of documents provided revealed the following anomalies:

- i. The contracts provided did not contain any role to be performed by the employee and the terms of engagement.
- ii. There was no uniformity of pay despite casuals working in the same conditions under same the policies.
- iii. Requisition for the casuals and subsequent approvals were not provided for audit review, an indicator that specific needs were not identified before the engagement of the casuals.
- iv. Employee records including master rolls were not well maintained for all the health facilities engaging the casuals.
- v. It was further noted the Kshs.15,075,780 spent on temporary employee's wages was paid in cash, which is prone to abuse. Management did not provide satisfactory explanations on why the payments could not be processed through bank.

In the circumstances, management was in breach of the law while internal controls over wages are not effective.

7. Non-compliance with National Treasury Circular on Asset Management

The statement of receipts and payments reflects acquisition of non-financial assets amount of Kshs 338,025 which is analyzed in Note 5 to the financial statements. Note 5 also reflects Kshs.183,540 for 2023-2024 and Kshs.7,098,013 cumulative to date. However, Management did not provide an asset register where the balances could be confirmed.

In the circumstances, the accuracy of the reported cumulative assets value of Kshs.7,098,013 acquired during the programme period could not be confirmed.

8. Facilities Staffing and Governance Structures

Documents provided for audit review revealed that facilities within the project are managed by facility's in-charges who are employees of Kisii County Government and several other categories of staff whose number varied in different health facilities. However, management did not provide the listing of staff posted to each facility including the name, staff numbers, and their appointment letters indicating specific roles and responsibilities they are expected to perform. Further, the management did

not provide the list of board of management members of each facility who provide oversight, including their appointment letters and subsequent gazettelement.

In the circumstances, management is in breach of Section 4.4.4 paragraph (iv) of Kenya Health Policy 2014-2030 on the organization of health facilities services which states that “each health facility will organize and manage the delivery of expected services based on its level. Each facility will be managed by a health management team with an approved organizational structure and oversight governance team”

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of the 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 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 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 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, the Management is also responsible for ensuring that

the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Management is 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi

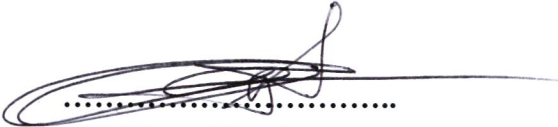
07 October, 2025

7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2025.

	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>2024/2025</i>			<i>2023/2024</i>			
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Receipts								
Proceeds from domestic and foreign grants	1	41,774,813		41,774,813	30,647,492	-	30,647,492	197,652,163
Miscellaneous receipts	2	99,246		99,246	2,499	-	2,499	167,916
Total receipts		41,874,059		41,874,059	30,649,991	-	30,649,991	197,820,079
Payments								
Compensation to employees	3	15,863,064		15,863,064	21,299,876	-	21,299,876	96,247,971
Purchase of goods and services	4	19,122,167		19,122,167	11,369,589	-	11,369,589	121,817,506
Acquisition of non-financial assets	5	338,025		338,025	183,540	-	183,540	7,098,013
Transfers to other government entities	6	-		-	1,073,954	-	1,073,954	1,588,488
Total payments		35,323,256		35,323,256	33,926,959	-	33,926,959	226,751,978
Surplus/ (deficit)		6,550,803		6,550,803	(3,276,968)	-	(3,276,968)	(28,931,899)

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


.....
James Oenga Marochi
Chief Officer Health


.....
Dr Albert Olande
Project Focal Person



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


*Kenya Health Sector Programme Support III, Danida (Grant) Project,
Annual Report and Financial Statements for the financial year ended June 30, 2025*


8. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2025

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Financial Assets			
Cash and Cash equivalents			
Bank Balances	7	13,065,897	6,515,094
Total Cash and Cash equivalents		13,065,897	6,515,094
Total Financial Assets		13,065,897	6,515,094
Net Assets		13,065,897	6,515,094
Represented By			
Fund Balance B/fwd.	8	6,515,094	9,792,062
Surplus/(Deficit) for the Year		6,550,803	(3,276,968)
Net Financial Position		13,065,897	6,515,094

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 15 AUGUST 2025 and signed by:


.....
James Oenga Marochi
Chief Officer Health


.....
Dr Albert Olande
Project Focal Person


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

Kenya Health Sector Programme Support III, Danida (Grant)
Annual Report and Financial Statements for the financial year ended June 30, 2025

9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2025

Description	Notes	2024/2025	2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Proceeds from domestic and foreign grants	1	41,774,813	30,647,492
Miscellaneous receipts	2	99,246	2,499
Total receipts		41,874,059	30,649,991
Payments			
Compensation of employees	3	15,863,064	21,299,876
Purchase of goods and services	4	19,122,167	11,369,589
Transfers to other government entities	6	-	1,073,954
Total Payments		34,985,231	33,743,419
Net receipts/(payments)		6,888,828	(3,093,428)
Net cash flow from operating activities		6,888,828	(3,093,428)
Cash flows from investing activities			
Acquisition of non-financial assets	5	338,025	183,540
Net cash flows from investing activities		(338,025)	(183,540)
Net increase in cash and cash equivalents		6,550,803	(3,276,968)
Cash and cash equivalent at beginning of the year	7	6,515,094	9,792,062
Cash and cash equivalent at end of the year	7	13,065,897	6,515,094

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 15 August 2025 and signed by:



.....
James Oenga Marochi
Chief Officer Health



.....
Dr Albert Olande
Project Focal Person



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

*Kenya Health Sector Programme Support III, Danida (Grant) Project,
Annual Report and Financial Statements for the financial year ended June 30, 2025*

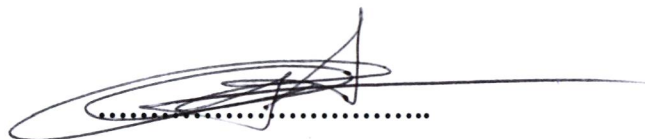
10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 30TH JUNE 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
DANIDA	26,752,500	-	26,752,500	14,206,500	12,546,000	53%
County Government of Kisii	13,284,000	-	13,284,000	0	13,284,000	0%
NHIF Annex and TIKO	81,247,750	1,159,500	82,407,250	27,568,306	54,838,944	33%
Miscellaneous receipts	-	99,246	99,246	99,246	-	100%
Interest Receipts from banks ac	-	7	7	7	-	100%
Balance B/F	6,515,094	-	6,515,094	6,515,094	-	100%
Total Receipts	127,799,344	1,258,753	129,058,097	48,389,153	80,668,944	37%
Payments						
Compensation to employees	45,996,808	-	45,996,808	15,863,064	30,133,744	34%
Purchase of goods and services	72,946,293	1,258,753	74,205,046	19,122,167	55,082,879	26%
Acquisition of non-financial assets	8,856,243	-	8,856,243	338,025	8,518,218	4%
Total Payments	127,799,344	1,258,753	129,058,097	35,323,256	93,734,836	27%
Surplus or Deficit	-	-	-	13,065,897	-	-

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



James Oenga Marochi
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 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.

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

There were no significant event after the close of the financial year.

w) Prior period adjustments

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.

12. NOTES TO THE FINANCIAL STATEMENTS

1. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2025, we received grants from donors as detailed in the table below:

Name of Donor	FY 2024/2025						FY 2023/2024	Cumulative to date
	Date received	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	
DANIDA LEVEL II & III	MARCH 2025		11,070,000	-	-	11,070,000	15,267,375	72,319,750
DANIDA LEVEL I	MARCH 2025		3,136,500			3,136,500	-	6,273,000
Maternity/SHA/SHIF	-		26,408,806	-	-	26,408,806	4,136,617	65,700,789
User Fees	-			-	-		-	26,138,997
TIKO/TBA	-		1,159,500	-	-	1,159,500	173,500	2,192,870
Interest Receipts from Commercial Bank Accounts	-		7	-	-	7	-	7
County Government of Kisii	-		-	-	-	-	11,070,000	24,815,250
Total			41,774,813	-	-	41,774,813	30,647,492	197,440,663

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Miscellaneous receipts

Description	2024/2025			2023/2024	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*	99,246		99,246	2,499	167,918
Total	99,246	-	99,246	2,499	167,918

3. Compensation to Employees

Description	FY 2024/2025			FY 2023/2024	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	15,075,780	-	15,075,780	20,241,800	93,466,543
Compulsory national social security schemes	787,284	-	787,284	1,058,076	2,781,428
Total	15,863,064	-	15,863,064	21,299,876	96,247,971

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Purchase of Goods and Services

Description	FY 2024/2025			FY 2023/2024	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs.	Kshs.	
Utilities, supplies and services	1,591,341	-	1,591,341	1,148,983	9,967,291
Communication, supplies and services	512,690	-	512,690	347,480	4,327,686
Domestic travel and subsistence	8,511,060	-	8,511,060	3,090,145	26,324,251
Printing, advertising, and information supplies	1,472,564	-	1,472,564	1,288,535	13,448,774
Fuel and Lubricants	244,950	-	244,950	173,550	2,065,360
Office and General Supplies and Services	1,668,259	-	1,668,259	1,797,901	15,114,633
Hospitality supplies and services	813,690	-	813,690	639,416	8,025,214
Insurance costs	-	-	-	-	499,500
Specialized materials and services	3,095,091	-	3,095,091	1,848,436	25,902,770
Other operating payments	287,115	-	287,115	260,020	2,029,654
Routine maintenance- other assets	925,407	-	925,407	775,123	14,112,373
Total	19,122,167	-	19,122,167	11,369,589	121,817,506

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Acquisition of Non-Financial Assets

Description	2024/2025			2023/2024	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs.	Kshs.	
Purchase of ICT Equipments	50,000	-	50,000	-	802,100
Construction of civil works	96,500	-	96,500	56,630	2,117,870
Purchase of household furniture & institutional equipment	7,500	-	7,500	2,410	627,893
Purchase of office furniture & general equipment	101,000	-	101,000	38,000	1,229,596
Purchase of specialised plant, equipment and machinery	83,025	-	83,025	86,500	2,320,554
Total	338,025	-	338,025	183,540	7,098,013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers to other Government Entities

During the financial period to 30 June 2025, we did transferred funds to reporting government entities as below the FIF fund accountant has acknowledge the same.

Description			2024/2025	2023/2024	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
Nyamasibi Health Centre		-	-	-	398,348
Kiogoro Health Centre			-	464,985	464,985
Kegogi Health Centre		-	-	81,485	81,485
Isecha Health Centre		-	-	527,484	527,484
Total		-	-	1,073,954	1,588,487

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Cash And Cash equivalents

Description	2024/2025	2023/2024
	Kshs	Kshs
Bank accounts (Note 11A)	13,065,897	6,515,094
Total	13,065,897	6,515,094

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	2024/2025	2023/2024
	Kshs	Kshs
<u>Local Currency Accounts</u>		
Special Purpose Account	5	-
Commercial Bank Accounts	13,065,892	6,515,094
Total bank account balances	13,065,897	6,515,094

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 30th June 2025 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

Description	2024/2025	2023/2024
	Kshs	Kshs
Bank accounts	13,065,897	6,515,094
Total	13,065,897	6,515,094

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)
	Cash and Cash Equivalents	The management continues to improve on financial management by continuous training of Incharges to prepare the right documentation	98% resolution	Continuous
	Unexplained DANIDA Budget	Danida funding was disburse at the end of financial year hence the funding couldn't be disbursed in that year resulting in spill over to the next financial year this was resolved by supplementary budget in the following year	Resolved	March 2025
	Budgetary Control and Performance	Funding arriving late is the cause of underutilization and facilities incharges not able to claim from NHIF	Unresolved	Continuous and national treasure has been advised to funds early
	Unclaimed NHIF	Facilities are working on it but change of fund to SHA	Unresolved	Current SHA will resolve the funding issues
	Sustainability	Fund will be made available as need be	Resolved	Continuous
	Non-compliance to minimum wage	Usually, the workers are paid a stipend but when funding increases the workers wages will be increase to the standard	Unresolved	Continuous



CPA James Oenga Marochi
 Chief Officer Health



Dr Olande Albert
 Project Focal Person

Kenya Health Sector Programme Support III, Danida (Grant)
Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 2: Variance explanations - Comparative Budget and Actual amounts for 2024/2025

	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 %	
Receipts					
DANIDA	26,752,500	14,206,500	12,546,000	53%	There was delay in disbursement. July 2025 money in CRF
County Government of Kisii	13,284,000	0	13,284,000	0%	Allocation issues
NHIF & TIKO	82,407,250	27,568,306	54,838,944	33%	Facilities are slow claiming but there is an improvement compared to last year
Miscellaneous receipts	99,246	99,246	-	100%	-
Interest Receipts from banks ac	7	7	-	100%	-
Balance B/F	6,515,094	6,515,094	-	100%	-
Total Receipts	129,058,097	48,389,153	80,668,944	37%	Late disbursement and lack of claims by facilities
Payments					
Compensation of employees	45,996,808	15,863,064	30,133,744	34%	Failure to meet revenue targets
Purchase of goods and services	74,205,046	19,122,167	55,082,879	26%	Failure to meet revenue targets
Acquisition of non-financial assets	8,856,243	338,025	8,518,218	4%	Failure to meet revenue targets
Total payments	129,058,097	35,323,256	93,734,836	27%	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
Total					81,247,750

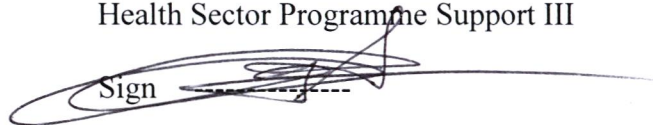
The estimate value is extracted from the county annual work plan consolidated as per the items then the figure is multiplied by 2,500.00 for every delivery as per NHIF agreement. For ANC visit the first visit is 600.00 followed by 300.00 for the next three visits making a total of 1,500.00. For immunization 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


Project Name:			
Break down of transfers from the County to Health Facilities			
a. Government Counterpart funding			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
Danida	28 th March 2025	14,206,500	2023/2024
County Couterpart Funding	-	-	-
	Total	14,206,500	

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 -----

