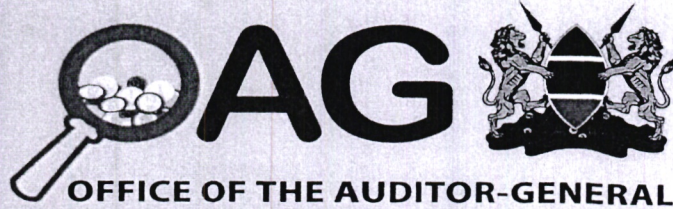


Scanned
28/09/2021 1



Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

REPORT

	PAPERS LAID	
DATE	11/02/2021	
TABLED BY	M. Wap-	
COMMITTEE		
CLERK AT THE TABLE	Jant	

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2020**

COUNTY GOVERNMENT OF KISII



**Project Name: KENYA Health Sector Programme Support III:
Sub-components 1.1 HSSF
Danida Ref. 104.Kenya.810.300 (Grant)
Implementing Entity: County Government of Kisii**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

Project Name: KENYA Health Sector Programme Support III:

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

for the financial year ended June 30, 2020

CONTENTS

PAGE

1.	PROJECT INFORMATION AND OVERALL PERFORMANCE	i
2.	STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	v
3.	REPORT OF THE INDEPENDENT AUDITORS ON THE DANIDA/HSPS-III PROJECT	vi
4.	STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2020	1
5.	STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020	2
6.	STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 TH JUNE 2020.....	3
7.	STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
8.	NOTES TO THE FINANCIAL STATEMENTS	5
9.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	17

**Project Name: KENYA Health Sector Programme Support III:
Danida Ref. 104.Kenya.810.300 (Grant)
Implementing Entity: County Government of Kisii**

Reports and Financial Statements

For the financial year ended June 30, 2020

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official designation 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 achievement of the Millennium Development Goals.

Address: The project headquarters offices are in 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

Telephone: (254)-0208029160
E-mail: inf@kisii.go.ke
Website: www.kisii.go.ke

1.2 Project Information

Project Start Date:	The project start date is 01 07 2014
Project End Date:	The project end date
Project Manager:	The project manager is Chief Officer of Health
Project Sponsor:	The project sponsor is Royal Danish Embassy/DANIDA

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Council of Governors
Project number	KENYA Health Sector Programme Support III Component 1.1 HSSF Danida Ref. 104.Kenya.810.300 (Grant)
Strategic goals of the project	The strategic goals of the Danida/HSPS-III project are as follows:

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

	<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
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 assistance in 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	<p>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</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none">(i) Support to KEPH and HSSF(ii) Support to health systems strengthening and capacity building
Project duration	<p>The project started on 1st January 2012, with Counties being included as from 1st July 2014,</p>

1.4 Bankers

The following are the bankers for the current year:

- (i) Central Bank of Kenya

1.5 Auditors

The project is audited by the Auditor General with support from DANIDA auditors.

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Sarah Omache	CEC Health		Policies Formulation
Alice Abuki	Chief Officer Health		Accounting Officer
Dr Otomu Geoffrey	Director Health		Supervision

Note: The Project operates within the County structures and systems and therefore involves multiple parties beyond the names provided above.

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

1.7 Funding summary

The overall DANIDA HSPS-III Project in Kisii County is finance yearly through a half year disbursement to the county and the county formulate the disbursement criteria.

1.8 Summary of Overall Project Performance:

- Budget performance against actual amounts for current year and for cumulative to-date,
- Physical progress based on outputs, outcomes and impacts since project commencement,
- Comment on value-for-money achievements,
- List the implementation challenges and recommended way forward.

1.9 Summary of Project Compliance:

- Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- Include consequences suffered on account of non-compliance or likely to be suffered
- Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Officer Health for the County and the County Treasurer 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 (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting year (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 Chief Officer Health for the County and the County Treasurer accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using IFMIS and other applicable appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Officer Health for the County and the County Treasurer 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, 2020, and of the Project's financial position as at that date. The Chief Officer Health for the County and the County Treasurer 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 and the County Treasurer 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/period 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 and the County Treasurer on 13TH November 2020 and signed by them.



County Chief Officer Health



County Treasurer

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA HEALTH SECTOR PROGRAMME SUPPORT III – DANIDA REF. 104. KENYA.810.300 (GRANT) FOR THE YEAR ENDED 30 JUNE, 2020 - COUNTY GOVERNMENT OF KISII

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kenya Health Sector Programme Support III - Danida Ref. 104. Kenya.810.300 - County Government of Kisii set out on pages 1 to 22, which comprise the statement of financial assets and liabilities as at 30 June, 2020, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kenya Health Sector Programme Support III – Danida Ref. 104. Kenya.810.300 – County Government of Kisii, as at 30 June, 2020, 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 do not comply with the Public Finance Management Act, 2012 and with the terms of the Intergovernmental Participatory Agreement dated 30 November, 2016 between DANIDA, the Government of Kenya and the County Government of Kisii.

Basis for Adverse Opinion

1. Unconfirmed Accuracy and Validity of Financial Statements

The balances reflected in the financial statements are extracted from summary receipts and payments reports instead of a trial balance derived from a general ledger as required by the International Public Accounting Standards and the reporting format prescribed by the Public Sector Accounting Standards Board.

In the absence of a general ledger, the completeness, accuracy and validity of the balances reflected in the financial statements for the year ended 30 June, 2020 has not been confirmed.

2. Cash and Cash Equivalents

The statement of financial assets and liabilities as at 30 June, 2020, reflects bank balances totaling Kshs.42,034,429, comprised of bank account balances for various health facilities totaling Kshs.41,863,305 and the Programme's Special Purpose Account at the Central Bank of Kenya amounting to Kshs.171,124. The balances totaling Kshs.41,863,305 in turn include bank balances totaling Kshs.22,987,438 for several health facilities. However, the balances are not supported with relevant records including cash books, bank reconciliation statements and bank balance confirmation certificates.

Similarly, the Special Purpose Account balance totaling Kshs.171,124 operated at the Central Bank of Kenya is not supported with the cash book, bank reconciliation statements and the bank balance confirmation certificate. In view of these anomalies, the accuracy, completeness and validity of the bank balance totaling Kshs.42,034,429 reflected in the statement of assets and liabilities as at 30 June, 2020 has not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Health Sector Programme Support III – Danida Ref. 104. Kenya.810.300 – County Government of Kisii, 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 adverse opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects budgeted receipts totaling Kshs.201,989,760 and actual receipts totaling Kshs.86,976,267 resulting to a shortfall of revenue amounting to Kshs.115,013,493 equivalent to 43% of the budget. Further, the statement reflects final budgeted expenditure amounting to Kshs.201,989,760 and actual expenditures amounting to Kshs.53,611,421 resulting to under-expenditure of Kshs.148,378,339 equivalent to 27% of the budget.

No plausible explanation has been provided by Management for the underperformance.

Failure to meet revenue and expenditure targets implied that some of the activities planned for execution in the year under review were not implemented. The underperformance is likely to hinder the Programme from attaining its goals and objectives.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed on Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the ability of the Programme to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Programme, or 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 Programme 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 noncompliance. Also, projections of any evaluation of

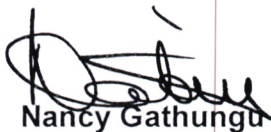
effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Programme 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi
30 December, 2020

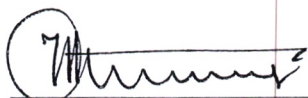
**Project Name: KENYA Health Sector Programme Support III:
Danida Ref. 104.Kenya.810.300 (Grant)
Implementing Entity: County Government of Kisii**

**Reports and Financial Statements
For the financial year ended June 30, 2020**

4.

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2020						
		Note	2019/2020	2018/2019	Cumulative	
			Kshs	Kshs	to date	
					Kshs	
RECEIPTS						
User fees Compensation		8.2	52,108,861	13,711,034	65,819,895	
DANIDA		8.2	25,068,750	36,171,944	61,240,694	
Proceeds from domestic User Fee, NHIF		8.3	9,790,316	17,768,201	27,558,517	
Loan from external development partners		8.4		-	-	
Miscellaneous receipts		8.5	8,340	15,199	23,539	
TOTAL RECEIPTS			86,976,267	67,666,378	154,642,645	
PAYMENTS						
Compensation of employees		8.6	16,141,258	18,993,620	35,134,878	
Purchase of goods and services		8.7	30,698,413	36,438,934	67,137,347	
Social security benefits		8.8	-	-	-	
Acquisition of non-financial assets		8.9	6,765,746	8,033,163	14,798,909	
Transfers to other government entities		8.10	-	-	-	
Other grants and transfers and payments		8.11	6,004	-	6,004	
TOTAL PAYMENTS			53,611,421	63,465,717	117,077,138	
SURPLUS/DEFICIT FOR THE YEAR			33,364,846	4,200,661	37,565,507	

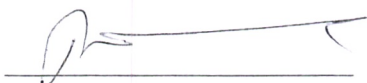
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



County Chief Officer Health

13/11/2020

Date



County Treasurer

13/11/2020

Date

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

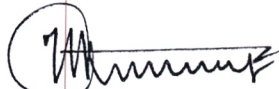
Reports and Financial Statements


For the financial year ended June 30, 2020

5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020

	Note	2019/2020	2018/2019
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.12A	42,034,429	8,669,583
Cash Balances	8.12		
Cash Equivalents	8.12		
Imprests and Advances	8.12		
TOTAL FINANCIAL ASSETS		42,034,429	8,669,583
REPRESENTED BY:			
Cash and cash equivalents b/fwd		8,669,583	4,184,129
Surplus/Deficit for the year		33,364,846	4,200,661
Prior year adjustments*	8.11		284,793*
NET FINANCIAL POSITION		42,034,429	8,669,583

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 13/11 2020 and signed by:

13 
Chief Officer Health


County Treasurer

13/11/2020
Date

13/11/2020
Date

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

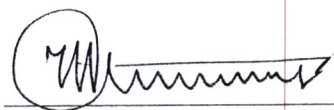
Reports and Financial Statements

For the financial year ended June 30, 2020

6. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 TH JUNE 2020				
			2019 – 2020	2018 – 2019
CASH FLOW FROM OPERATING	Notes		Kshs	Kshs
HSSF	8.2		52,108,861	13,711,034
DANIDA	8.2		25,068,750	36,171,944
Proceeds from domestic User fee, NHIF	8.3		9,790,316	17,768,201
Miscellaneous receipts	8.5		8,340	15,199
Payments for operating expenses				
Compensation of employees	8.6		(16,141,258)	(18,993,620)
Purchase of goods and services	8.7		(30,698,413)	(36,438,934)
Social security benefits	8.8		-	-
Transfers to other government entities	8.10		-	-
Other grants and transfers*	8.11		(6,004)	284,793*
Net cash flow from operating activities			40,130,592	12,518,617
CASHFLOW FROM INVESTING ACTIVITIES				
Maintenance and Acquisition of Assets	8.9		(6,765,746)	(8,033,163)
Net cash flows from Investing Activities			(6,765,746)	(8,033,163)
CASHFLOW FROM BORROWING ACTIVITIES				
Loan from external development partners	8.4			-
Net cash flow from financing activities				
Net Increase in Cash and Cash Equivalent			33,364,846	4,485,454
Cash and cash equivalent at BEGINNING of the year			8,669,583	4,184,129
Cash and cash equivalent at END of the year			42,034,429	8,669,583

* Annex 2E for more information on prior year adjustments.

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 13/11 2020 and signed by:



County Chief Officer Health



County Treasurer

13/11/2020
Date

13/11/2020
Date

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

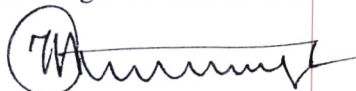
Reports and Financial Statements

For the financial year ended June 30, 2020

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2020

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=c/a %	
RECEIPTS DURING THE YEAR/PERIOD					
Government of Kenya					
External financing:					
USER FEE COMPENSATION	79,700,062	52,108,861	27,591,201	65%	Late disbursements of funds
NHIF* Annex 2D and User fees	97,205,750	9,790,316	87,415,434	10%	Unremitted funds by NHIF
GRANT-DANIDA	25,068,750	25,068,750	0	0	Got all funding on time
Miscellaneous receipts	15,198	8340	6,858	45%	Unexpected funding
Total receipts	201,989,760	86,976,267	115,013,493	57%	Not met the expectation
PAYMENTS DURING THE YEAR/PERIOD					
Purchase of goods and services	113,610,239	30,698,413	82,911,826	73%	Underutilized of funding
Compensation of Employees	63,672,918	16,141,258	47,531,660	75%	Underutilized of funding
Acquisition of non-financial assets	24,706,603	6,765,746	17,940,857	73%	Underutilized of funding
Other Grants and Transfers	0	6004	(6004)	100%	unexpected
Total payments	201,989,760	53,611,421	148,378,339	73%	Utilization poor

The budget is based on known and received resource envelope for the financial year.



County Chief Officer Health

13/11/2020

Date



County Treasurer

13/11/2020

Date

Project Name: KENYA Health Sector Programme Support III
Danida Ref. 104.Kenya.810.300 (Grant)
Implementing Entity: County Government of Kisii

Reports and Financial Statements
For the financial year ended June 30, 2020

8. NOTES TO THE FINANCIAL STATEMENTS

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 and all values are rounded to the nearest one Shilling. 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.

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. In-kind donations

In-kind donations are contributions 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 of in-kind donations can be reliably determined, the Project includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

iii. 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/period. 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/period.

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv. **Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted goods or services during the year/period or in past years/periods. As pending bills do not involve the payment of cash in the reporting year/period, they are simply disclosed as an Annex to the financial statements. 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.

v. **Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same year/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/period under review has been included in an annex to these financial statements.

vi. **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.

vii. **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.

viii. **Subsequent events**

By ended of June 30, 2020 the DANIDA funds which had been held in CRF account amounting to KES 8,575,000.00. These funds were transferred to SPA account by 9th July 2020 and subsequently to facilities by 13th August 2020.

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

8.1 RECEIPTS FROM GOVERNMENT OF KENYA

There was no receipt of counterpart funding from other governments

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

8.2 AND 8.3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment *	Grants received in kind	Total amount in Kshs	
						FY 2019/2020	FY 2018/2019
		DKK	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)							
DANIDA (ROYAL DANISH EMBASSY)	NOV 2019 FEB 2020 APR 2018		2,100,000 11,484,375 11,484,375			25,068,750	36,171,944
Grants Received from Multilateral Donors (International Organisations)							
USER FEES, NHIF			9,790,316			9,790,316	7,828,520
USER FEES COMPENSATION	JULY 2019 JUNE 2020		25,969,864 26,138,997			52,108,861	9,939,681 13,711,034
Total		-	-	-	-	86,967,927	67,651,179

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

8.4 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 we did not receive funding from development partners in form of loans negotiated by the National Treasury donors.

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

8.5	MISCELLANEOUS RECEIPTS	FY 2019/20	FY 2018/19	Cumulative
		Kshs	Kshs	Kshs
		Property income		-
Sales of goods and services		-		
Administrative fees and charges	-	-		
Fines, penalties and forfeitures		-		
Voluntary transfers other than grants		-		
Other receipts:	5,620	15,145	20,765	
Interest earned	2,720	54	2,774	
Error in posting		-		
Refund received		-		
TOTALS	8,340	15,199	23,539	

8.6	COMPENSATION OF EMPLOYEES	2019/20	2018/19	Cumulative
		Kshs	Kshs	to-date
		Basic salaries of permanent employees		-
Basic wages of temporary employees	16,141,258	18,993,620	35,134,878	
Personal allowances paid as part of salary		-		
Personal allowances paid as reimbursements		-		
Personal allowances provided in kind		-		
Pension and other social security contributions		-		
Compulsory national social security schemes		-		
Compulsory national health insurance schemes		-		
Social benefit schemes outside government		-		
Other personnel payments		-		
		-		
Total	16,141,258	18,993,620	35,134,878	

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

8.7 PURCHASE OF GOODS AND SERVICES				
		2019/2020	2018/2019	Cumulative
		Kshs	Kshs	to-date
Utilities, supplies and services		3,938,895	4,532,679	8,471,574
Communication, supplies and services		7,650,465	8,794,267	16,444,732
Training expenses				
Hospitality supplies and services		2,312,747	2,569,501	4,882,248
Insurance costs		130,000		130,000
Specialised materials and services		12,758,596	16,148,288	28,906,884
Other operating expenses		3,907,710	4,394,198	8,301,908
Exchange rate losses/gains (net)				
		30,698,413	36,438,933	67,137,346

8.8 SOCIAL SECURITY BENEFITS

	2019/20	2018/19	Cumulative
	Kshs	Kshs	to-date
Government pension and retirement benefits		-	-
Social security benefits in cash and in kind		-	-
Employer social benefits in cash and in kind		-	-
		-	

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

8.9	MAINTAINANCE OF ASSESTS AND ACQUISITION ASSETS	2019/2020	2018/2019	Cumulative
		Kshs	Kshs	to-date
	Purchase of buildings		-	
	Construction of buildings		-	
	Rehabilitations of buildings	3,888,517	4,370,011	8,258,528
	Construction of roads		-	
	Construction of civil works	617,200	751,400	1,368,600
	Overhaul & refurbishment of construction and civil works		-	
	Purchase of vehicles & other transport equipment		-	
	Rehabilitation of vehicles	0	35,000	35,000
	Purchase of household furniture & institutional equipment		-	
	Purchase of office furniture & general equipment	225,000	382,290	607,290
	Purchase of specialized plant, equipment and machinery	1,757,900	2,022,089	3,779,989
	Rehabilitation & renovation of plant, equipment & machinery	277,129	472,373	749,502
	Purchase of certified seeds, breeding stock and live animals		-	
	Research, studies, project preparation, design & supervision		-	
	Rehabilitation of civil works		-	
	Acquisition of strategic stocks		-	
	Acquisition of land		-	
	Acquisition of other intangible assets		-	
		6,765,746	8,033,163	14,798,909

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.10 Transfers to other government entities

During the 12 months to 30 June 2020, we transferred funds to Kisii County facilities entities as shown below out of

	Financial Year 2019/2020	Financial Year 2018/2019	Cumulative to date
	Kshs	Kshs	Kshs
Transfers to Kisii County Facilities	77,177,611	49,882,978	127,060,589

Kshs.77,177,611 comprise of Kshs. 52,108,861 and Kshs 25,068,750 for HSSF and DANIDA respectively which is disclosed under receipts and payments

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts.

8.11 Other grants and transfers

This refer to charges (bank) on transfer to facilities, hence, facilities receive net of charges (bank) in their accounts.

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

8.12 CASH AND CASH EQUIVALENTS C/FWD

8.12	CASH AND CASH EQUIVALENTS C/FWD		2019/20	2018/19
			Kshs	Kshs
	Bank accounts for Facilities (Note 12A)		41,863,305	8,389,583
	HEALTH ACCOUNT Pending (Note 12B)			280,000
	CBK Special purpose account (Note 12C)		171,124	
			42,034,429	8,669,583

CASH AND CASH EQUIVALENTS C/FWD

8.12A Cash Book balances at Health Facilities

These are cash book balances held by all the facilities which are supported in the county by DANIDA/HSSF.

8.12B Health Account

This is amount sent to the facility but didn't go through and its being worked on to transfer the same.

8.12C CBK SPA

This are funds for Nyamogonchoro Dispensary which did not go through since the account was close hence held in this account.

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

ANNEX 2A – ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2019/2020	2018/2019	
	a	b	C	d=a-c		
Construction of buildings					-	
					-	
Sub-Total					-	
Construction of civil works					-	
					-	
Sub-Total					-	
Supply of goods					-	
Supply of services					-	
					-	
					-	
					-	
					-	
					-	
					-	
					-	
					-	
					-	
					-	
					-	
					-	
					-	
Sub-Total					-	

Project Name: KENYA Health Sector Programme Support III

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

14 PENDING STAFF BILLS (Annex 2B)

	2019/20	2018/19
	Kshs	Kshs
Permanent employees – management		-
Permanent employees – others		-
Temporary employees		-
Others (<i>specify</i>)		-
	_____	_____
	=====	=====

15 OTHER PENDING PAYABLES (Annex 2C)

	2019/20	2018/19
	Kshs	Kshs
Amounts due to national government entities		-
Amounts due to county government entities		-
Amounts due to third parties		-
Others (<i>specify</i>)		-
	_____	_____
	=====	=====

Reports and Financial Statements

For the financial year ended June 30, 2020

9. 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.

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)
	NONE				



County Chief Officer Health

13/11/2020
Date



County Treasurer

13/11/2020
Date

*Reports and Financial Statements**For the financial year ended June 30, 2020***ANNEX 2A – ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019/2020	Outstanding Balance 2018/2019	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				-	-	

Reports and Financial Statements

For the financial year ended June 30, 2020

ANNEX 2B – ANALYSIS OF PENDING STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2019/2020	Outstanding Balance 2018/2019	Comments
		A	b	c	d=a-c		
Permanent Employees – Management							
1.						-	
2.						-	
3.						-	
		Sub-Total				-	
Permanent Employees – Others							
4.						-	
5.						-	
6.						-	
		Sub-Total				-	
Temporary employees							
7.						-	
8.						-	
9.						-	
		Sub-Total				-	
Others (specify)							
10.						-	
11.						-	
12.						-	
		Sub-Total				-	
		Grand Total				-	

Project Name: KENYA Health Sector Programme Support III:

Danida Ref. 104.Kenya.810.300 (Grant)

Implementing Entity: County Government of Kisii

Reports and Financial Statements

For the financial year ended June 30, 2020

ANNEX 2C – ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2019/2020	Outstanding Balance 2018/2019	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					-	

Reports and Financial Statements

For the financial year ended June 30, 2020

ANNEX 2D – ANALYSIS OF NHIF BUDGET ESTIMATION

ITEM	ESTIMATE	AMOUNT	TOTAL	% OF TOTAL	AMOUNT
DELIVERY	50150	2500	125,375,000.00	20%	25,075,000.00
ANC	53312	1500	79,968,000.00	50%	39,984,000.00
IMMUNISATION	41529	1500	62,293,500.00	50%	31,146,750.00
TOTAL					96,205750.00

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 immunisation there is five immunisations in a year with each immunisation 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 immunisation are done at level 2 and 3 facilities.

*Reports and Financial Statements**For the financial year ended June 30, 2020***ANNEX 2E – ANALYSIS OF PRIOR YEAR ADJUSTMENTS.**

The following facilities had funds in their accounts at the start of the financial year as they were introduced for DANIDA funding hence the adjustment. This is for the previous financial year 2018/2019

Egetuki Dispensary	104,424.00
Keragia Dispensary	104,1843.00
Keera Dispensary	73,987.00
Kioge Dispensary	280.00
Omorembe Dispensary	516.00
Mosocho Market Dispensary	435.00
Ikorongo Dispensary	967.00
Total	284,793.00