

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY	
REPORT	DATE: 16 NOV 2023
TABLED BY:	HON. OWEN BAYA, CBS, MP
OF	DEPUTY LEADER, MAJORITY PARTY
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PARLIAMENT
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THE AUDITOR-GENERAL

ON

SUPPORT OF THE HEALTH CARE FINANCING
STRATEGY - REPRODUCTIVE HEALTH -
OUTPUT BASED APPROACH PROJECT
(CREDIT BMZ NO. KENYA 201065853)

FOR THE YEAR ENDED
30 JUNE, 2023

MINISTRY OF HEALTH





**PROJECT NAME:
REPRODUCTIVE HEALTH - OUTPUT BASED APPROACH (RH-OBA)**

**IMPLEMENTING ENTITY:
MINISTRY OF HEALTH**

**PROJECT GRANT/CREDIT NUMBER:
BMZ No. KENYA 2010 65 853**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

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1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
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 Reproductive Health-Output Based Approach (RH-OBA) Program.

Objective

The Output Based Approach (OBA) offered a unique way to improve the health of the poorer members of the community. The Government of Kenya through the Ministry of Health supported by its German development partners through BMZ and KfW implementing this approach in the field of reproductive health care. The Programme is intended to contribute significantly to the Government's goal of creating an efficient and quality health care system that is accessible, equitable and affordable by every Kenyan household.

The OBA concept in Kenya envisages financing agreed outputs by selling vouchers/smart cards at subsidised prices to patients for safe motherhood and family planning services and to support gender violence recovery services by making direct payments to approved providers. The programme is implemented in 5 counties namely: Kiambu (in 8 sub-counties), Nairobi (Korogocho and Viwandani informal settlement schemes), Kitui, Kisumu and Kilifi counties. OBA provides a direct subsidy to the poorer members of the community and allow them to access safe motherhood, family planning and gender-based violence recovery services without fear of the costs.

By giving target beneficiaries choices on the service provider/ health facility to go to, OBA gives the consumer leverage on the quality of facilities'/service providers' offer. Through linking payments to services provided, OBA's impact on the people is immediate. The need to compete for clients and the income received for providing services contributes to improving the quality of the services being offered and the way in which clients/target beneficiaries are treated.

Address

During the financial year 2022/23, the VMA had its office at PwC Tower, Waiyaki Way/Chiromo Road, Westlands, Nairobi County, Kenya. PricewaterhouseCoopers Ltd is the Voucher Management Agency (VMA) for the Reproductive Health-Output Based Approach (RH-OBA) Program.

Contacts

***Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

The following are the project contacts:

Telephone: (254) 020 285500

E-mail: simon.mutinda@pwc.com

Website: www.obakenya.org

**Reproductive Health - Output Based Approach Project
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Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	01/11/2005
Project End Date:	31/01/2017
Project Manager:	Mr Simon Mutinda
Project Sponsor:	KfW and the Government of Kenya through the Ministry of Health

*We are in the process of handing over to the Ministry.

2.3 Project Overview

Line Ministry/State Department of the project	Ministry of Health.
Project number	BMZ No. KENYA 2010 65 853
Strategic goals of the project	The strategic goals of the project were as follows: (i) Offer quality reproductive health care services for economically disadvantaged populations by means of a voucher system; and (ii) Contribute to a reduction of both maternal and infant mortality rates in Kenya.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Contracting Voucher Service Providers (VSPs) and Voucher Service Distributors (VSDs); (ii) Developing and implementing a marketing and distribution mechanism for the vouchers/smart cards to the target population; (iii) Developing and implementing a system for claims processing; (iv) Collection and processing of claims; and (v) Monitoring and supervising quality of the services provided.

**Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

<p>Other important background information of the project</p>	<p>The Output Based approach (OBA) reproductive health programme was intended to contribute to a reduction in both maternal and infant mortality rates by improving access to and utilisation of reproductive health services by the economically disadvantaged populations. Under Phase 1 (November 2005 to October 2008) OBA was financed through an agreement between the GoK and KfW with an overall budget of € 7.054m. The programme was piloted in three rural regions (Kisumu, Kiambu, and Kitui) and in two urban sites in Nairobi (Viwandani and Korogocho). Phase 2 was financed through a new financial agreement that was signed by GoK and KfW in May 2008. Phase 2 started in November 2008 with a budget of €10m. Under Phase 3 (November 2011 to October 2014), the programme was expanded to new regions covered Kitui, Kilifi and Kisumu (entire counties), Nairobi (Korogocho and Viwandani) and Kiambu (sections of the county). Phase 4 of the program started in February 2015 covering the same regions as Phase 3.</p>
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following problems/gaps:</p> <ul style="list-style-type: none"> (i) Reduce child mortality rate: Infant mortality and under-five mortality rates were at 52 deaths per 1,000 live births and 74 deaths per 1,000 live births respectively at 2012 (Kenya MDGs status Report); (ii) Improve maternal mortality ratio: maternal mortality ratio was at 362 per 100,000 live births in 2014 (Kenya Demographic and Health Survey, 2014); (iii) Improve access to long-acting family planning services: contraceptive prevalence rate was at 46 % in 2012 (Kenya MDGs status Report); (iv) Support gender violence recovery survivors to access services at accredited health facilities.
<p>Project duration</p>	<p>The project started in November 2005 and ran up to March</p>

Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

	<p>2018. Since the project has ended there were no program related activities during the 2022/2023 financial year. The project was phased as follows;</p> <ul style="list-style-type: none">(i) Phase I-November 2005-October 2008(ii) Phase II-November 2008-October 2011(iii) Phase III-November 2011-October 2014(iv) Phase IV-February 2015-January 2017
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Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) Standard Chartered Bank - Active
- (ii) Kenya Commercial Bank - Closed
- (iii) Equity Bank - Closed

2.5 Independent Auditor

The project is audited by the Kenya Office of the Auditor General (OAG).

2.6 Roles and Responsibilities

The list below outlines the project manager and all the key stakeholders who were involved in the project. The table below shows their roles, positions and contact information.

Names	Title designation	Key qualification	Responsibilities
Julian Lenk	Program Manager - Health, KfW	Management of the donor aspects of the programme; providing linkage between the donor and the PMU & VMA; coordinating funding of the programme from the donor side.	+254 (20) 4228200 Julian.Lenk@kfw.de
Stephen Kaboro	Program Manager, PMU, Ministry of Health	Management of the MoH functions of the programme; oversight over the Voucher Management Agency; overall management of programme.	+254 (20) 2717077 mbugua.kaboro@gmail.com
Moses Ranji	Project Accountant,	Leading the finance and accounting aspects of the	+254 (20) 2717077 muitex@yahoo.com

Reproductive Health - Output Based Approach Project
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Names	Title designation	Key qualification	Responsibilities
	PMU, Ministry of Health	programme at the Ministry of Health.	
Simon Mutinda	Project Director, Voucher Management Agency	Overall management of the VMA functions including contracting of VSPs, targeting strategy and distribution of vouchers, claims processing and reporting.	+254 (20) 2855000 simon.mutinda@pwc.com
Rose Mutunga	Project Manager, Voucher Management Agency	Support to the Project Director in the management of the VMA functions including contracting of VSPs, targeting strategy and distribution of vouchers, claims processing and reporting.	+254 (20) 2855000 rose.mutunga@pwc.com
Alex Nyaga	Finance Manager,	Leading the finance and accounting aspects of the programme at the VMA and providing oversight of the project.	+254 (20) 2855000 alex.nyaga@pwc.com

2.7 Funding summary

Phase I (Oct 2005- Oct 2008) with a budget of € 6.5 million (KfW);

Phase II (Nov 2008- Oct 2011) budgeted at €10.00 million (KfW) and € 0.3 million (GoK);

Phase III (Nov 2011-Oct 2014) budgeted at €13.7 million (KfW) and €1.5 million (GoK);

and

Phase IV (April 2015 – January 2018) – Phase IV was to be funded from the unutilised balances from the GoK and donor commitments made in the previous Phases.

***Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

The cumulative commitment by the donor from Phase I - IV was Euro 30.2 million. The total amount received by the project by 30 June 2021 was Euro 29,144,624 (equivalent to Kshs 3,872,440,300); therefore, the undrawn balance as at 30 June 2023 was Euro 1,055,376 (equivalent to Kshs 161,453,004). The table below shows the funding status:

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 2023)		Undrawn balance to date	
	Donor currency (A)	Kshs (A')	Donor currency Euros (B)	Kshs (B')	Donor currency Euros (A)-(B)	Kshs (A')-(B')
Grant						
KRW	30,200,000	3,273,686,056	29,144,624	3,177,174,979	1,055,376	161,453,004
Total	30,200,000	3,273,686,056	29,144,624	3,177,174,979	1,055,376	161,453,004

Note: The undrawn balance of EUR 1,055,376 was converted using CBK Forex Rate of KShs. 152.9815 at the end of the 2022/23 financial year thus arriving at the balance of KShs. 161,453,004.

**Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative amount paid to date – (30 th June 2023)		Unutilised balance to date (30 th June 2023)	
	Euros (A)	Kshs (A')	Euros (B)	Kshs (B')	Euros (A)-(B)	Kshs (A')-(B')
(i) Grant						
KfW	29,144,624	3,177,174,979	29,137,295	3,278,351,580	7,328.66	1,121,150
Total	29,144,624	3,177,174,979	29,137,295	3,278,351,580	7,328.66	1,121,150

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,	<ul style="list-style-type: none"> • The committed funding by KfW up to 30 June 2014 was Euro 30.2 million. As at 30 June 2023, the undrawn balance was Euro 1,055,376.
ii) Physical progress based on outputs, outcomes, and impacts since project commencement,	<ul style="list-style-type: none"> i. Increased the contracted VSPs from 54 in Phase 1 to 299 in Phase 4; ii. Over 400,000 successful deliveries catered for by the OBA program; iii. Introduction of smart card technology as an alternative to paper-based vouchers which has enhanced the speed of claims processing and improved monitoring and reporting; iv. Improved access of health services by the poor and empowering OBA clients to exercise choice; v. Money earned by VSPs is spent to improve quality of services hence strengthening the health system; vi. System building – accreditation of service providers, quality management, transparent and fast processing of claims;
iii) Indicate the absorption rate for each year since the commencement of the project.	<ul style="list-style-type: none"> • The VMA has implemented strategies aimed at reducing the overhead costs of the project. In the year 2022/23 the project did not have any operational costs.
v) List the implementation challenges and recommended next steps.	<ul style="list-style-type: none"> i. Slow uptake of services in some regions – this was addressed through vigorous marketing and collaborating with the administrative units, churches, community Health Workers, etc; ii. Ineligible individuals trying to access the voucher – this was addressed through a robust targeting strategy and utilisation of innovative eligibility identification tools; iii. Transition from Phase III to IV – the Ministry of Health granted a No-Cost-Extension to facilitate continuation of services with minimal disruption.

2.9 Summary of Project Compliance:

i) Include significant cases of non-compliance with applicable laws and regulations e.g. treasury circulars on project investment management, PFM Act 2012 and Kenya vision 2030 flagship projects, and essential external financing agreements/covenants	There have been no cases, significant or otherwise, of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.
ii) Include consequences suffered on account of non-compliance or likely to be suffered.	N/A
iii) Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance.	N/A

3. Statement of Project Management responsibilities

The Voucher Management Agency is 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, 2021. This responsibility includes:

- i. Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project;
- ii. 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;
- iii. Safeguarding the assets of the Project;
- iv. Selecting and applying appropriate accounting policies; and
- v. Making accounting estimates that are reasonable in the circumstances.

The Voucher Management Agency accepts 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.


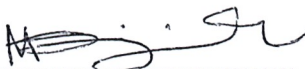
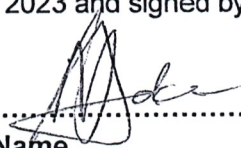
The Voucher Management Agency is of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The Voucher Management Agency further confirm 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 Voucher Management Agency confirms 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.

**Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

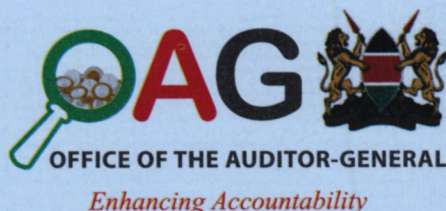
Approval of the Project Financial Statements

The Project financial statements were approved by the *Principal Secretary* for the Ministry of Health and the *Project Director (Coordinator)* for *The Reproductive Health - Output Based Approach project* on 02 October 2023 2023 and signed by:

		
Name	Name	Name
<i>for</i> Principal Secretary (Ministry of Health)	Project Director (Coordinator) Simon Mutinda	Project Accountant Alex Nyaga ICPAK Member No: 8930

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON SUPPORT OF THE HEALTH CARE FINANCING STRATEGY - REPRODUCTIVE HEALTH - OUTPUT BASED APPROACH PROJECT (CREDIT BMZ NO. KENYA 201065853) FOR THE YEAR ENDED 30 JUNE, 2023 - MINISTRY OF HEALTH

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Support of The Health Care Financing Strategy - Reproductive Health - Output Based Approach Project (Credit BMZ

Report of the Auditor-General on Support of the Health Care Financing Strategy - Reproductive Health - Output Based Approach Project (Credit BMZ No. Kenya 201065853) for the year ended 30 June, 2023 - Ministry of Health

No. Kenya 201065853) for the year ended 30 June, 2023 set out on pages 17 to 37, which comprise of the statement of financial assets as at 30 June, 2023, 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 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, the financial statements present fairly, in all material respects, the financial position of Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project (Credit BMZ No. Kenya 201065853) as at 30 June, 2023, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement dated 07 October, 2011 between KfW (German Development Bank) Frankfurt am Main and the Republic of Kenya; and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Support of the Health Care Financing Strategy - Reproductive Health - Output Based Approach Project (Credit BMZ No. Kenya 201065853) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Lack of Financing Plan for Payables

The statement of financial assets reflects bank balance of Kshs.1,121,150 as disclosed in Note 9 to the financial statements. However, and as previously reported the pending accounts payables balance of Kshs.4,436,435 as disclosed under other important disclosures would not be fully settled by the bank balance. The resulting difference of Kshs.3,315,285 was not explained how it will be financed. In addition, other important disclosures reflect court cases with estimated contingent liabilities of Kshs.11,775,142.

In the circumstances, the financing of pending accounts payables of Kshs.4,436,435 could not be confirmed.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Recurring Bank Charges

The statement of receipts and payments reflects purchase of goods and services of Kshs.34,587 as disclosed in Note 6 to the financial statements. The amount is composed of bank charges of Kshs.34,587 resulting from failure to close the project and the related project bank accounts.

In the circumstances, value for money on continued operations of the project bank accounts could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Financing Agreement dated 07 October, 2011, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional 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 Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


13 October, 2023


4. Statement of Receipts and Payments for the year ended 30th June 2023.

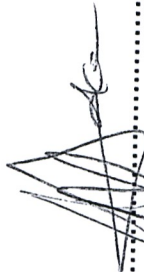
	Note	2022 – 2023		2021 – 2022		Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
		Kshs.	Kshs.	Kshs.	Kshs.					
Receipts										
Transfer from Government entities	1	-	-	-	-	-	-	-	-	-
Proceeds from domestic and foreign grants	2	-	-	-	-	-	-	-	-	3,177,174,979
Loan from external development partners	3	-	-	-	-	-	-	-	-	-
Miscellaneous receipts	4	187,903	-	187,903	-	187,903	-	-	-	102,297,750
Total receipts		187,903	-	187,903	-	187,903	-	-	-	3,279,472,729
Payments										
Compensation to employees	5	-	-	-	-	-	-	-	-	137,174,679
Purchase of goods and services	6	34,587	-	34,587	-	34,587	59,099	-	59,099	3,069,190,126
Social security benefits	7	-	-	-	-	-	-	-	-	-
Acquisition of non-financial assets	8	-	-	-	-	-	-	-	-	71,986,774
Transfers to other government entities	9	-	-	-	-	-	-	-	-	-
Other grants and transfers /payments	10	-	-	-	-	-	-	-	-	-
Total payments		34,587	-	34,587	-	34,587	59,099	-	59,099	3,278,351,579
Surplus/ (deficit)		153,316	-	153,316	-	153,316	59,099	-	59,099	1,121,150

**Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

*As at 1 July 2022, the programme brought forward Kshs 967,833. During the current financial year, the programme did not receive any funds. The surplus for the current year was Kshs 153,316 due to the bank charges of Kshs 34,587, miscellaneous income of Kshs 134 and foreign exchange gains of Kshs 187,769. These resulted in a cumulative surplus of Kshs 1,121,150 as at year end. The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


.....
Name
Principal Secretary
(Ministry of Health)
02/10/2023

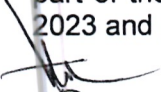

.....
Name
Project Director (Coordinator)
Simon Mutinda
02/10/2023


.....
Name
Project Accountant
Alex Nyaga
ICPAK Member No: 8930
02/10/2023

5. Statement of Financial Assets as at 30th June 2023

Description	Note	2022 - 2023	2021 - 2022
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	11.A	1,121,150	967,833
Cash Balances	11. B	-	-
Cash equivalents (Short-term deposits)	11.C	-	-
Total Cash and Cash equivalents		1,121,150	967,833
Imprests and Advances	12	-	-
Total Financial Assets		1,121,150	967,833
Financial Liabilities			
Third party Deposits and Retention	13	-	-
Net Assets		1,121,150	967,833
Represented By			
Fund Balance B/fwd.	14	967,833	1,026,936
Prior Year adjustments	15	-	-
Surplus/(Deficit) for the Year		153,316	(59,099)
Net Financial Position		1,121,150	967,833

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 02 October 2023 and signed by:


.....
Name
Principal Secretary
(Ministry of Health)


.....
Name
Project Director
(Coordinator)
Simon Mutinda


.....
Name
Project Accountant
Alex Nyaga
ICPAK Member No: 8930

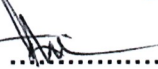
6. Statement of Cashflow for the year ended 30th June 2023

Description	Notes	2022 - 2023	2021 – 2022
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	187,903	-
Total receipts		187,903	-
Payments			
Compensation of employees	5	-	-
Purchase of goods and services	6	34,587	59,099
Social security benefits	7	-	-
Transfers to other government entities	9	-	-
Other grants and transfers	10	-	-
Total Payments		34,587	59,099
Net receipts/(payments)		153,316	(59,099)
Adjustments during the year			
Prior year adjustments	15	-	-
Decrease/(increase) in accounts receivable	16	-	-
Increase/(decrease) in accounts payable:	17	-	-
Net cash flow from operating activities		153,316	(59,099)
Cashflow from investing activities			
Acquisition of non-financial assets	8	-	-
Net cash flows from investing activities		-	-
Cash flow from financing activities			

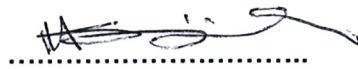
Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Description	Notes	2022 - 2023	2021 - 2022
		Kshs	Kshs
Proceeds from foreign borrowings	3	-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		153,316	(59,099)
Cash and cash equivalent at beginning of the year	11	967,833	1,026,932
Cash and cash equivalent at end of the year	11	1,121,150	967,833


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 02 October 2023 2023 and signed by:



Name
Principal Secretary
(Ministry of Health)



Name
Project Director
(Coordinator)
Simon Mutinda




Name
Project Accountant
Alex Nyaga
ICPAK Member No: 8930

7. Statement of Comparison of Budget and Actual amounts for year ended 30th June 2023

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Transfer from Government entities	-	-	-	-	-	0%
Proceeds from domestic and foreign grants	-	-	-	-	-	0%
Proceeds from borrowings	-	-	-	-	-	0%
Miscellaneous receipts	-	-	-	187,903	(187,903)	100%
Total Receipts	-	-	-	187,903	(187,903)	0%
Payments						
Compensation to employees	-	-	-	-	-	0%
Purchase of goods and services	-	-	-	34,587	(34,587)	100%
Social security benefits	-	-	-	-	-	0%
Acquisition of non-financial assets	-	-	-	-	-	0%
Transfers to other government entities	-	-	-	-	-	0%
Other grants and transfers	-	-	-	-	-	100%
Total Payments	-	-	-	34,587	(34,587)	100%
Surplus or Deficit	-	-	-	153,316	(153,316)	100%

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


Name

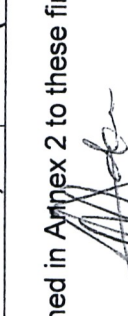
Principal Secretary
(Ministry of Health)

02/10/2023


Name

Project Director (Coordinator)
Simon Mutinda

02/10/2023


Name

Project Accountant
Alex Nyaga
ICPAK Member No: 8930

02/10/2023

8. 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 Reproductive Health – Output Based Approach project (RH-OBA) under the State Department of Health. The financial statements are for the reporting entity RH-OBA 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 Reproductive Health – Output Based Approach project (RH-OBA) recognises all receipts from the various sources when the event occurs, and the related cash has been received.

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.

Significant Accounting Policies (continued)

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 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.

Significant Accounting Policies (continued)

i) Compensation to employees

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

ii) 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.

iii) Interest on borrowing

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

iv) 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.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) 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.

g) 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

Significant Accounting Policies (continued)

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.

h) 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.

i) 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.

j) 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,

Significant Accounting Policies (Continued)

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 resources embodying economic benefits or service potential is remote.

k) Contingent Assets

RH-OBA 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 RH-OBA 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.

l) 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.

m) 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 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*.

Significant Accounting Policies (Continued)

n) Third party payments

There are currently no payments made by RH-OBA 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.

o) 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.

p) 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.

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s).

Notes to the Financial Statements

1. Transfers from Government entities

There was no counterpart funding or other receipts from government during the financial period to 30 June 2023.

2. Proceeds From Domestic and Foreign Grants

We did not receive grants from donors during the financial period to 30 June 2023.

3. Loan from External Development Partners

We did not receive funding from development partners in form of loans negotiated by the National Treasury during the financial period to 30 June 2023.

Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

Description	2022 - 2023			2021 - 2022	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total receipts		
	Kshs	Kshs	Kshs	Kshs	Kshs
Voucher Sales	-	-	-	-	92,049,396
Interest Income	-	-	-	-	9,631,078
Foreign Exchange Gain	187,769	-	187,769	-	617,142
Other receipts.	134	-	134	-	134
Total	187,903	-	187,903	-	102,297,750

5. Compensation to Employees

Description	2022 - 2023			2021 - 2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Basic wages of temporary employees	-	-	-	-	120,667,349
Consultants Pay	-	-	-	-	16,507,330
Total	-	-	-	-	137,174,679

Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

Description	2022 - 2023		2021 - 2022		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	-	-	-	-	2,940,421,889
Communication, supplies and services	-	-	-	-	16,237,694
Domestic travel and subsistence	-	-	-	-	2,997,172
Foreign travel and subsistence	-	-	-	-	37,556
Printing, advertising, and information supplies	-	-	-	-	6,074,733
Rentals of produced assets	-	-	-	-	-
Training payments	-	-	-	-	54,865,549
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	694,768
Specialized materials and services	-	-	-	-	22,734,266
Other operating payments (bank charges)	34,587	-	34,587	31,277	8,449,198
Other operating payments (refund to KfW)	-	-	-	-	13,694,180
Routine maintenance – vehicles and other transport equipment	-	-	-	-	1,908,262
Routine maintenance - fuel	-	-	-	-	2,191,801
Exchange rate losses/gains (net)	-	-	-	27,822	(1,116,941)
Total	34,587	-	34,587	59,099	3,069,190,127

Notes to the Financial Statements (Continued)

*Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

7. Social Security Benefits

Description	2022 - 2023			2021 - 2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	

8. Acquisition of Non-Financial Assets

Description	2022 - 2023			2021 - 2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	
Purchase of vehicles & other transport equipment	-	-	-	-	12,449,407
Hand-held gadgets - 200 pieces	-	-	-	-	35,522,694
Hand-held gadgets - 334 pieces	-	-	-	-	19,963,180
Hand-held gadgets - 55 pieces	-	-	-	-	3,719,570
Server	-	-	-	-	331,923
Total	-	-	-	-	71,986,774

Notes to the Financial Statements (Continued)

9. Transfers to Other Government Entities

Description	2022 - 2023			2021 - 2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Total	-	-	-	-	-

10. Other Grants and Transfers/ Payments

Description	2022 - 2023			2021 - 2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Total	-	-	-	-	-

11. Cash And Cash equivalents

Description	2022 - 2023		2021 - 2022
	Kshs		
Bank accounts (Note 9)	1,121,150		967,833
Cash in hand	-		-
Cash equivalents (short-term deposits) (Note 11C)	-		-
Total	1,121,150		967,833

Notes to the Financial Statements (Continued)

11.A Bank Accounts

Project Bank Accounts

Details	2022 - 2023	2021 - 2022
	Kshs	Kshs
Foreign Currency Accounts:		
Standard Chartered Bank Euro Account [A/c No. 9306022985002]	984,652	815,980
Total Foreign Currency balances	984,652	815,980
Local Currency Accounts:		
Standard Chartered Bank KShs Account [A/c No. 0106022985016]	136,498	151,853
Kenya Commercial Bank	-	-
Equity Bank KShs Account	-	-
Total local currency balances	136,498	151,853
Total bank account balances	1,121,150	967,833

12. Imprests and Advances

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs

13. Third Party Deposits and Retentions

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs

14. Fund Balance Brought Forward

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Bank accounts	1,121,150	967,833
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Deposits and retention	-	-
Total	1,121,150	967,833

Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Other Important Disclosures

1. Pending Accounts Payable

	Balance b/f from 2021 - 2022	Additions for the year	Paid during the year	Balance c/f For Current FY
Description	Kshs	Kshs	Kshs	Kshs
Beta Care Nursing Home court case judgement costs: Claimant's legal costs and expenses; refund of the tribunal costs; interest till November; legal fees and; judgement costs.	-	4,436,435.04	-	4,436,435.04
Total	-	4,436,435.04	-	4,436,435.04

2. Court Cases

Due to on-going court cases, we provide below a list of estimated contingent liabilities that are being claimed by some of the hospitals involved in the RH-OBA project.

Case File No.	Hospital	The Matter	Amount (KES)	Status of the court case
Civil Suit No. 494 of 2015 - Claim by Marura Nursing Home for Ksh. 10,188,233	Marura Nursing Home	The facility is disputing that the VMA has not settled claims amounting to Kshs. 4,823,265.	4,823,265	Currently going through court supervised mediation
N/A	Gender Violence Recovery Centre	The facility is disputing that the VMA has not settled claims amounting to Kshs. 6,951,877.	6,951,877	Dormant
	Total		11,775,142	

*Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

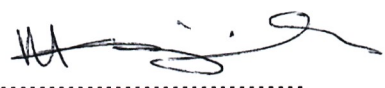
Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe
1	<p>Lack of Financing Plan for Payables: Other important disclosures on page 17 to the financial statements reflects pending accounts payable of Kshs.4,436,435. However, the project bank balance was Kshs.967,833 which would result to difference Kshs.3,468,602 which Management has not explained how they will finance. In addition, other important disclosures reflect court cases with estimated contingent liabilities of Kshs.11,775,142 which Management has not explained how they will be financed if they crystalize. In the circumstances, the completeness pending accounts payable of Kshs.4,436,435 and estimated claims arising from the court cases of Kshs.11,775,142 could not be confirmed.</p>	<p>The accounts payable of KShs. 4,436,435 is due to a decision made to award a claimant, following the arbitration on the legal suit by Beta Care Nursing Home. It is based on this that we will submit a Replenishment Request to KfW for these amounts that will be applied towards settling the accounts payable. The nature of the contingent liabilities doesn't allow us to determine the exact amounts payable and cannot form a basis for replenishment request.</p>	Resolved	N/A
2	<p>Avoidable Expenditure: The statement of receipts and payments reflects purchase of goods and services of Kshs.59,099 as disclosed in Note 6 to the financial statements. The amounts is composed of bank charges of Kss.31,277 and exchange losses/gains(net) of Kshs.27,822. These costs</p>	<p>The project was closed in 2018. There have been no operational activities since then. The reason that the client project bank accounts are yet to be closed is due to the pending VSP court cases. These bank accounts were opened and kept open to allow for the safe</p>	Resolved	N/A

Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	money on continued opening of the project ban account could not be confirmed.	closed as soon as the pending court cases are heard and determined.		



Principal Secretary
Ministry of Health
 02/10/2023



Project Director (Coordinator)
Simon Mutinda
 02/10/2023

*Reproductive Health - Output Based Approach Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 2: Other Support Documents

i. Bank Reconciliation statement as at 30th June 2023

	Chq. No.	EUR	KES	Comments
Foreign Currency Account - Euro				
Balance as per cashbook		6,436.41	984,651.66	Exchange rate: 152.9815
Add unrepresented cheques		-	-	
Total				
Uncredited Cheques (Cash in transit)		-	-	
Balance as per bank statement		6,436.41	984,651.66	
Local Currency Account - KShs				
Balance as per cashbook			136,497.95	
Add unrepresented cheques			-	
Total				
Uncredited Cheques (Cash in transit)			-	
Balance as per bank statement			136,497.95	