




Enhancing Accountability



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REPORT

THE AUDITOR-GENERAL

ON

**COVID-19 EMERGENCY RESPONSE
PROJECT (CREDIT NO.6598-KE)**

**FOR THE THREE (3) MONTHS'
PERIOD ENDED 30 JUNE, 2020**

MINISTRY OF HEALTH



Project Name: COVID-19 EMERGENCY RESPONSE PROJECT


Implementing Entity: MINISTRY OF HEALTH

PROJECT GRANT/CREDIT NUMBER 6598-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE THREE MONTHS PERIOD ENDED
JUNE 30, 2020**

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
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COVID-19 EMERGENCY RESPONSE PROJECT

Reports and Financial Statements

For three months period ended June 30, 2020

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END

END

END

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For three months period ended June 30, 2020

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is KENYA COVID-19 EMERGENCY RESPONSE PROJECT,

Objective: The key objective of the project is to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness

Address: The project headquarters is at Afya House, Cathedral Road, Nairobi, Kenya.

The address of its registered office is:

Ministry of Health
Afya House
Cathedral Road
P.O Box 30016 00100
Nairobi

Contacts: The following are the project contacts

Telephone: (254) -20-2717077

E-mail: ps@health.go.ke

Website: www.health.go.ke

1.2 Project Information

Project Start Date:	31 st March, 2020
Project End Date:	31 st March, 2025
Project Manager:	Dr Anne Ng'ang'a
Project Sponsor:	World Bank

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Health Ministry.
Project number	P173820
Strategic goals of the project	The strategic goals of the project are as follows: (i) To prevent, detect and respond to the threat posed by COVID-19 (ii) To strengthen national systems for public health preparedness
Achievement of strategic goals	The project management aims to achieve the goals through the following means:

- (i) Improve the availability of supplies and equipment needed to respond to COVID-19 and other public health emergencies and strengthen the capacity of the (Ministry of Health) MoH to provide timely medical diagnosis for COVID-19 patients.
- (ii) Strengthening response and build capacity of key stakeholders including health workers and communities
- (iii) Strengthening the health systems capacity to effectively provide Infection Prevention and Control (IPC) and case management of COVID-19 cases.
- (iv) Ensure the safe management of waste generated by laboratory and medical activities.
- (v) ensure there is a two- way communication between the Government and the population
- (vi) Strengthening the capacity of the Kenya National Blood Transfusion Service (KNBTS) to provide safe blood and blood products. Blood is core to all clinical aspects of health systems.
- (vii) supporting implementation, by covering finance costs associated with the Project coordination, activities for program implementation and monitoring, and to strengthen management capacity
- (viii) The Project is aligned with World Bank Group (WBG) strategic priorities, particularly the WBG's mission to end extreme poverty and boost shared prosperity. The Project is focused on preparedness and response which are critical to achieving UHC. It is aligned with the World Bank's support for national plans and global commitments to strengthen health security through three key actions under preparedness: (i) improving national preparedness plans including organizational structure of the Government; (ii) promoting adherence to the IHR; and (iii) utilizing international framework for monitoring and evaluation (M&E) of IHR.

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Other important background information of the project	<p>The Project is aligned with World Bank Group (WBG) strategic priorities, particularly the WBG's mission to end extreme poverty and boost shared prosperity. The Project is focused on preparedness and response which are critical to achieving UHC. It is aligned with the World Bank's support for national plans and global commitments to strengthen health security through three key actions under preparedness: (i) improving national preparedness plans including organizational structure of the Government; (ii) promoting adherence to the IHR; and (iii) utilizing international framework for monitoring and evaluation (M&E) of IHR.</p> <p>The Project is aligned with the Country Partnership Strategy (CPS) FY 2014-2020 (Report No. 87024-KE). Improved social service delivery for vulnerable groups, particularly women, is a key outcome of Domain Two (Protection and Potential); and better provision of health and sanitation services by counties is a key output of Domain Three. The Project complements the World Bank's ongoing: (i) technical assistance to pandemic preparedness; and (ii) the Transforming Health Systems for Universal Care Project (THS-UCP – P152394) (Report No. PAD1694) which includes a Contingency Emergency Response Component (CERC) (US\$10 million) that was triggered to co-finance the National COVID-19 Contingency Plan. The Project is also aligned to the Kenya Health Sector Strategic and Investment Plan III, which includes disease surveillance and information as a key investment priority.</p> <p>Description</p> <p>The COVID-19 financing for the Project will be provided through the WBG COVID-19 Fast Track Facility, as part of a Global COVID-19 Multiphase Programmatic Approach (MPA) Program, designed to assist countries to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness. The amount allocated to Kenya under the Fast Track Facility is based on criteria for each country taking into consideration key factors such as population size, GDP per capita, and other selected criteria.</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) Medical Supplies and Equipment(ii) Response, Capacity Building and Training(iii) Quarantine, Isolation and Treatment Centres(iv) Medical Waste Management(v) Community Discussions and Information Outreach(vi) Availability of Safe Blood and Blood Products
Project duration	<p>The project started on 31 March, 2020 and is expected to run until 31 March, 2025</p>

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1.4 Bankers

The following is the banker for the current year:

Central Bank of Kenya
 Haile Selassie Avenue
 P. O. Box 60000 – 00200
 Nairobi

1.5 Auditors

The project is audited by the:

Office of the Auditor General
 Anniversary Towers
 P. O. Box 30084 – 00100
 Nairobi

1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Dr. Anne Ng'ang'a	Dental Specialist	MSc. Health Systems Management, BDS	Project Lead
Dr. Jamlick Karumbi	Assistant Chief Pharmacist	MSc Epidemiology; BPharm	Monitoring and Evaluation
CPA Naomy J Kemboi	Assistant Accountant General	MBA (Finance & Banking), CPA(K)	Accountant
Mr. Dickson Lugonzo	Assistant Director, Supply Chain Management Services	MSc Procurement and Logistics , BA	Supply Chain Management Services
Mr. Felix Mulati	Finance Officer II	BCom (Finance)	Budget & Budgetary Execution
Mr. Bernard Sande	Principal Medical Laboratory Technologist	MSc. Community Health Development	Medical Supplies and Equipment
Ms. Catherine Ahonge	Senior Nursing Officer	MSc. Public Health Bsc. (Project Planning and Management-Social services and Health)	Training, Surveillance
Ms. Zahrah Hassan	Senior Dental Technologist	Master in Community Health	Quarantine and Isolation Centres lead
Mr. Lolem Bosco	Senior Public Health Officer	BSc Environmental Health	Medical Waste Management

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Ms. Nancy Okwengu	Communication Specialist	MSc Development Studies (Communication) Diploma in Environmental Journalism and Communication, BA Public Relations	Community engagement lead
Mr. Charles Rombo	Senior Medical Laboratory Technologist	BSc Medical Laboratory Sciences, Certified AfSBT Auditor & ASLM assessor	Blood products
Ms. Jackie Ressa ala	Registered Clinical Officer	BA Psychology and Sociology	Social Safe Guards
Ms. Drusilla Wairimu Ruhu	Senior Internal Auditor	MSc. Finance, CPA (K)	Audit

1.7 Funding summary

The Project is for duration of 5 years from 31 March, 2020 to 31 March, 2025 with an approved budget of EUR 45,500,000 equivalent to KShs 5,312,652,356 as highlighted in the funding summary table below:

Source of funds	Donor Commitment-		Amount received to date – (30/06/2020)		Undrawn balance to date (30/06/2020)	
	EUR	KShs	EUR	KShs	EUR	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
Loan						
IDA	20,000,000	2,323,586,000	13,400,000	1,556,802,000	6,600,000	766,783,380
Total	20,000,000	2,323,586,000	13,400,000	1,556,802,000	6,600,000	766,783,380

1.8 Summary of Overall Project Performance:

Budget performance

Covid-19 Emergency Response Project is expected to run for five years with a budget of **Kshs. 5,312,652,000** which is equivalent to **45,500,000 Euros** and reflected in the supplementary II of the annual printed estimate as **Kshs. 5,350,000,000**. The project came into being in the fourth quarter of the financial year and operated for only three months of the normal 12 twelve months of the financial year.

The amount deposited in the Special Account is **EUR 20,000,000** equivalent to **Kshs. 2,323,586,000** and the total withdrawal and transferred to the Project account is **EUR 13,600,000** equivalent to **Kshs. 1,556,802,620** leaving a balance of **EUR 6,600,000** equivalent to **Kshs. 766,783,380**. A total of **Kshs. 229,590,498** out of this amount and has been utilised for various activities as defined in the respective components while a direct payment of Kshs. 170,320,000 was also made hence accounting for 7% absorption rate.

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Physical performance and progress

Some of the activities which were undertaken are as follows:-

- i. A total of 2,175 COVID-19 test kits were procured through KEMSA. Out of this, 1496 kits were delivered to testing labs across the country enhancing the testing capacity by a possible **143,616** tests.
- ii. 100 ventilators were procured and out of which 30 distributed to 6 health facilities improving COVID case management
- iii. 46 medical officers were contracted to man the 719-call centre and one communication specialist was engaged resulting into improved COVID information availability to the public.
- iv. 105 health workers in three counties were trained on COVID case management and this enhanced case management in the Counties.
- v. A total of 17 vehicles were procured out of which 14 vehicles support contact tracing in counties with reported high disease burden and challenges in caring out the mandate, two are attached to the National Emergency Operations Centre (EOC) and remaining one is to serve the operations of the project management team.
- vi. 1840 non-contact thermometers were procured to help with patient screening in all level 4 and 5 public hospitals in the Country.
- vii. Assessment of health facilities was facilitated and the reports have formed the basis of implementation of activities in the Counties.

Implementation challenges and recommended way forward

Some of the implementation challenges and recommended way forward are listed in the table below:-

Implementation Challenges	Recommended way forward
Shortage of kits in the global market led to a delayed delivery of test kits and sample collection materials	Exploit the use of global supply chain entities like UNICEF
Slow processing of payment due to delayed submission of invoices by procuring entities	Timely submission of invoices and efficiency in accounts department
The Environmental Impact Assessment (EIA) was missed in the approved workplan	The TORs are being finalized for hiring a firm to undertake this activity. No implementation of any civil works can proceed without the EIA. This will be prioritized going forward

1.9 Summary of Project Compliance:

The Project complied with applicable laws, regulations and essential external financing agreements/covenants this helped in achievements of the set objectives.

1.10 Summary of Project Compliance:

The Project complied with applicable laws, regulations and essential external financing agreements and covenants, this helped in achievements of the set objectives.

COVID-19 EMERGENCY RESPONSE PROJECT
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2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of Health and the Project Manager for Kenya COVID-19 Emergency Response Project 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 period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the Ministry of Health and the Project Manager for Kenya COVID-19 Emergency Response Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

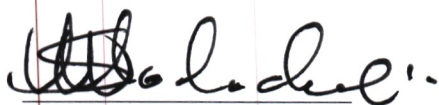
The Principal Secretary for the Ministry of Health and the Project Manager for Kenya COVID-19 Emergency Response Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2020, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of Health and the Project Manager for Kenya COVID-19 Emergency Response Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the Ministry of Health and the Project Manager for Kenya COVID-19 Emergency Response Project 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.

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Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary for the Ministry of Health and the Project Manager for Kenya COVID-19 Emergency Response Project on **September 22, 2020** and signed by them.



Principal Secretary
Susan Mochache, CBS



Project Manager
Dr. Ann Ng'ang'a



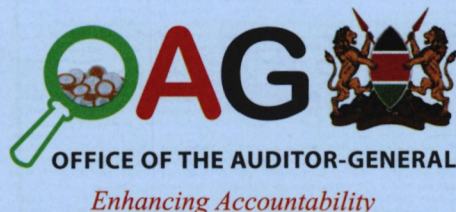
Project Accountant:
Naumy J. Kemboi
ICPAK M/No: 5787

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**3. REPORT OF THE INDEPENDENT AUDITORS ON COVID-19 EMERGENCY
RESPONSE PROJECT**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON COVID-19 EMERGENCY RESPONSE PROJECT (CREDIT NO.6598-KE) FOR THE THREE (3) MONTHS' PERIOD ENDED 30 JUNE, 2020 – MINISTRY OF HEALTH

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Covid-19 Emergency Response Project set out on pages 1 to 15, which comprise the statement of financial assets 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 period 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 Covid-19 Emergency Response Project as at 30 June, 2020, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Credit Agreement No.6598-KE dated 3 April, 2020 between the International Development Association and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special account statement presents fairly the special account transactions for the period and the closing balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Covid-19 Emergency Response Project 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.

Report of the Auditor-General on Covid-19 Emergency Response Project (Credit No.6598-KE) for the Three (3) Months' Period ended 30 June, 2020 – Ministry of Health

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, I confirm that, nothing has come to my attention to cause me to believe that public money has 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, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective 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.

In preparing the financial statements, Management is responsible for assessing the ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 entity's policies and procedures may deteriorate.

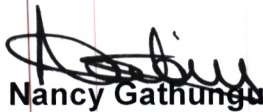
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

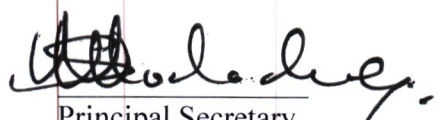
31 December, 2020


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4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE THREE MONTHS PERIOD ENDED 30 JUNE, 2020

	Note	2019/2020		2018/2019		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Loan from external development partners	8.4	1,556,802,620	170,320,000			1,727,122,620
TOTAL RECEIPTS		1,556,802,620	170,320,000			1,727,122,620
PAYMENTS						
Purchase of goods and services	8.5	42,625,987				42,625,987
Acquisition of non-financial assets	8.6	109,190,111				109,190,111
Transfers to other government entities	8.7	77,774,400				77,774,400
Other grants and transfers and payments	8.8		170,320,000			170,320,000
TOTAL PAYMENTS		229,590,498	170,320,000			399,910,498
SURPLUS		1,327,212,122				1,327,212,122

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


Principal Secretary
Susan Mochache, CBS


Project Coordinator
Dr. Ann Ng'ang'a


Project Accountant
Naumy J. Kemboi
ICPAK M/No: 5787

COVID-19 EMERGENCY RESPONSE PROJECT
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5. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE, 2020

	Note	2019-2020	2018-2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.9	1,322,627,947	
Total Cash and Cash Equivalents		1,322,627,947	
Accounts receivables – Imprest and Advances	8.11	4,584,175	
TOTAL FINANCIAL ASSETS		1,327,212,122	
REPRESENTED BY			
Surplus for the period		1,327,212,122	
NET FINANCIAL POSITION		1,327,212,122	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on *September 22, 2020* and signed by:



Principal Secretary
 Date: 22/09/2020



Project Coordinator
 Date: 22/09/2020



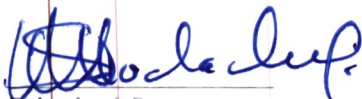
Project Accountant
 Date: 22/09/2020
 ICPAK M/No: 5787

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6. STATEMENT OF CASHFLOW FOR THE THREE MONTHS PERIOD ENDED 30 JUNE, 2020

		2019-2020	2018-2019
	Note	KShs	KShs
Payments for operating activities			
Purchase of goods and services	8.5	42,625,987	-
Transfers to other Government Entities	8.7	77,774,400	-
Change in Imprests and Advances	8.11	4,584,175	-
Net cash out flow from operating activities		124,984,562	-
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8.6	109,190,111	-
Net cash out flows from Investing Activities		109,190,111	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	8.4	1,556,802,620	-
Net cash flow from financing activities		1,556,802,620	-
NET INCREASE IN CASH AND CASH EQUIVALENT		1,322,627,947	-
Cash and cash equivalent at BEGINNING of the year		-	-
Cash and cash equivalent at END of the year	8.9	1,322,627,947	-

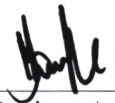
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on *September 22, 2020* and signed by:



Principal Secretary
Susan Mochache, CBS
 Date: 22/09/2020



Project Coordinator
Dr. Ann Ng'ang'a
 Date: 22/09/2020



Project Accountant
Naumy Kemboi
 Date: 22/09/2020
 ICPAK MNo: 5787

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

**7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS
FOR THREE MONTHS PERIOD ENDED 30 JUNE, 2020**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Proceeds from borrowings		5,350,000,000	5,350,000,000	1,727,122,620	3,622,877,380	32%
Total Receipts		5,350,000,000	5,350,000,000	1,727,122,620	3,622,877,380	32%
Payments						
Purchase of goods and services		838,900,000	838,900,000	42,625,987	796,274,013	5%
Acquisition of non-financial assets		604,400,000	604,400,000	109,190,111	495,209,889	18%
Transfers to other government entities		806,700,000	806,700,000	77,774,400	728,925,600	10%
Other payments – Direct payments		3,100,000,000	3,100,000,000	170,320,000	2,929,680,000	5%
Total Payments		5,350,000,000	5,350,000,000	399,910,498	4,950,089,502	7%

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



Principal Secretary
Date: 22/09/2020



Project Coordinator
Date: 22/10/2020



Project Accountant
Date: 22/09/2020
ICPAK M/No: 5787

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

8. NOTES TO THE FINANCIAL STATEMENTS FOR THREE MONTHS PERIOD ENDED 30 JUNE, 2020

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

8.1. Basis of Preparation

8.1.1. 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.

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.

8.1.2. Reporting entity

The financial statements are for the Covid-19 Emergency Response Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

8.1.3. Reporting currency

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

8.2. Significant Accounting Policies

a) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Government.

• 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.

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
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SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **External Assistance**

External assistance is received through grants and loans from bilateral development partners.

Proceeds from borrowing

Borrowing includes external loan acquired by the Project and is treated on cash basis and recognized as a receipt during the year it is received.

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

b) Recognition of payments

The Project recognises all payments when the event occurs and the related cash has actually been paid out by the Project.

• **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.

• **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.

COVID-19 EMERGENCY RESPONSE PROJECT
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SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

e) Accounts receivable

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.

f) 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 are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) 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 accounts 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 which is the period under review has been included in an annex to these financial statements.

h) Third party payments

Included in the receipts and payments, are payments made on its behalf 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 party's column in the statement of receipts and payments.

During the year Kshs 170,320,000 being loan disbursements were received in form of direct payments from third parties.

i) 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.

j) Comparative figures

Comparative figures for the previous financial year/period are not available as the Project commenced in the fourth quarter of the financial year.

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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, 2020.

l) Errors

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

8.3. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 2 months to June 30, 2020 no grants was received from donors.

8.4. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 2 months to 30 June 2020 we received funding from development partner/donor in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
		EUR	KShs	KShs	FY19/2020	FY18/19
Loans Received from Multilateral Donors (International Organizations)						
IDA	27/05/2020	13,400,000	1,556,802,620	170,320,000	1,727,122,620	-
Total		13,400,000	1,556,802,620	170,320,000	1,727,122,620	-

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.5. PURCHASE OF GOODS AND SERVICES

	2019-2020		2018-2019	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	
	KShs	KShs	KShs	KShs
Communication, supplies and services	12,405,000		12,405,000	12,405,000
Domestic travel and subsistence	7,431,323		7,431,323	7,431,323
Specialised materials and services	17,480,000		17,480,000	17,480,000
Office and general supplies and services	189,237		189,237	189,237
Other operating expenses	159,827		159,827	159,827
Routine maintenance – vehicles and other transport equipment	60,600		60,600	60,600
Consultancy services – Technical and professional services	4,900,000		4,900,000	4,900,000
Total	<u>42,625,987</u>		<u>42,625,987</u>	<u>42,625,987</u>

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.6. ACQUISITION OF NON-FINANCIAL ASSETS

	2019/2020			2018/2019	Cumulati ve to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of vehicles & other transport equipment	102,166,611		102,166,611		102,166,611
Purchase of office furniture & general equipment	7,023,500		7,023,500		7,023,700
Total	109,190,111		109,190,111	=	109,190,111

8.7. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 3 months to 30 June, 2020, we transferred funds to reporting government entities as shown below:

	2019-2020			2018- 2019	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
KEMSA	77,774,400		77,774,400	-	77,774,400
TOTAL	77,774,400		77,774,400	=	77,774,400

We have confirmed that the beneficiary institution has received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.8. OTHER GRANTS AND TRANSFERS AND PAYMENTS

	2019/2020	2018/2018
	KShs	KShs
Direct payment by the National Treasury	170,320,000	-
Total	<u>170,320,000</u>	<u>=</u>

A direct payment was made for procurement of 100 ventilators

8.9. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/2020	2018/2018
	KShs	KShs
Bank accounts (Note 8.9)	1,322,627,947	-
Total	<u>1,322,627,947</u>	<u>=</u>

The project has one (1) number of project account within the project implementation area and one (1) number of foreign currency designated accounts managed by the National Treasury are as listed below:

8.10. Bank Accounts

Project Bank Accounts

	2019/2020	2018/2019
	EUR/KShs	EUR/KShs
<u>Foreign Currency Accounts (EUR)</u>		
Central Bank of Kenya [A/c No. 1000446366]	6,600,000	-
Total Foreign Currency balances	<u>6,600,000</u>	<u>=</u>
<u>Local Currency Accounts (KSHS)</u>		
Central Bank of Kenya [A/c No1000446684]	1,322,627,947	-
Total local currency balances	<u>1,322,627,947</u>	<u>=</u>

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account as at 30 June 2020 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	2019/2020	2018/2019
	EUR	EUR
(i) A/C Name [A/c No. 1000446366]		
Opening balance	-	-
Total amount deposited in the account	20,000,000	-
Total amount withdrawn (as per Statement of Receipts & Payments)	13,400,000	-
Closing balance (as per SDA bank account reconciliation attached)	6,600,000	=

The Special Deposit Account reconciliation statement has been attached as Appendix IV support these closing balances.

8.11. OUTSTANDING IMPRESTS AND ADVANCES

<i>Name of Officer or Institution</i>	<i>Amount Taken (Kshs.)</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered (Kshs.)</i>	<i>Balance 2020 (Kshs.)</i>	<i>Balance 2018 (Kshs.)</i>
Dr. Hannah Kagiri	573,775	27/07/2020		573,775	
Clara Gitonga	770,750	27/07/2020		770,750	
Benedette Atieno	701,200	27/07/2020		701,200	
Jamlick Karumbi	831,575	27/07/2020		831,575	
Papela Wanjala	469,725	27/07/2020		469,725	
Elizabeth Wangia	553,825	27/07/2020		553,825	
Dr. Mutile Mutiso	683,325	27/07/2020		683,325	
Total	4,584,175			4,584,175	

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

9. OTHER IMPORTANT DISCLOSURES

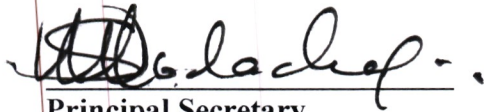
9.1 PENDING ACCOUNTS PAYABLE

The project did not have any pending bills at the end of the financial year

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

10. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The project is in the first year of operation and therefore has no prior years Reports and Financial Statements to have been reviewed. Consequently there were no pending issues raised by the external auditor.



Principal Secretary

22/9/2020

Date



Project Coordinator

22/9/2020

Date

COVID-19 EMERGENCY RESPONSE PROJECT

Statement of Budget Performance

For three months period ended June 30, 2020

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Original Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance below 90%
	Final Budget				
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from borrowings	5,350,000,000	1,727,122,620	3,622,877,380	32%	The money was not transferred as the project commenced one month into the fourth quarter of the financial year
Total Receipts	5,350,000,000	1,727,122,620	3,622,877,380	32%	
Payments					
Purchase of goods and services	838,900,000	42,625,978	796,274,013	5%	Operations started late due to logistical issues such as operationalization of bank accounts, involvement of the relevant technical MDAs
Acquisition of non-financial assets	604,400,000	109,190,111	495,202,989	18%	Operations started late due to logistical issues such as operationalization of bank accounts, involvement of the relevant technical MDAs due to the specialised nature equipment and other assets
Transfers to other government entities	806,700,000	77,774,400	728,956,600	10%	Operations started late due to logistical issues such as operationalization of bank accounts, involvement of the relevant technical MDAs
Direct Procurement	3,100,000,000	170,320,000	2,929,680,000	5%	Operations started late due to logistical issues such as operationalization of bank accounts, involvement of the relevant technical MDAs
Total payments	5,350,000,000	399,910,498	4,950,089,502	7%	The Project Commenced one month into the fourth quarter of the financial year

COVID-19 EMERGENCY RESPONSE PROJECT
Reports and Financial Statements
For three months period ended June 30, 2020

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/2020	*Purchases /Additions in the Year (KShs) 2019/2020	**Disposals in the Year (KShs) 2019/2020	Transfers in/(out) Kshs 2019/2020	Closing Cost (KShs) 2019/2020
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)- (c)+(-)d
Transport equipment	-	102,166,611	-	-	102,166,611
Office furniture & General equipment	-	7,023,500	-	-	7,023,500
Total	-	109,190,111	-	-	109,190,111

Notes

* Purchases in the year reconciles to the amount in Statement of Receipts and Payments

COVID-19 EMERGENCY RESPONSE PROJECT
Statement of Budget Performance
For three months period ended June 30, 2020

APPENDICES

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account reconciliation statement