


51



Enhancing Accountability



REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 FEB 2021	DAY: Tuesday
FILED BY:	L. D. M.
CLERK-AT THE-TABLE:	Maimah Manjiku

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**GLOBAL FUND HIV AIDS PROGRAM
(GRANT NO. KEN-H-TNT GA 1547)**

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

MINISTRY OF HEALTH



1900-1910

1910-1920



THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 23 FEB 2021

DAY.

TABLED

BY

CLERK-AT
THE-TABLE:

Project Name: GLOBAL FUND HIV AIDS PROGRAM

Implementing Entity: MINISTRY OF HEALTH

PROJECT GRANT/CREDIT NUMBER: KEN-H-TNT GA 1547

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

CONTENTS

PAGE

1. PROJECT INFORMATION AND OVERALL PERFORMANCE	ii
2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	vi
3. REPORT OF THE OFFICE OF THE AUDITOR GENERAL- KENYA ON THE GLOBAL FUND HIV AIDS PROGRAM	vii
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020	1
5. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020	2
6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020	3
7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
10. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS	16

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Global Fund HIV Aids Program,

Objective: The key objective of the project is to reduce new infections by 75% and to reduce AIDS related mortality by 25% by the year 2021.

Address: The project headquarters offices are:

Afya Annex Building, Nairobi,

Nairobi County, Kenya.

The address of its registered office is:

NASCOP – Global Fund Project Office

Ministry of Health

P.O. Box 30016 – 00100

Afya House, Cathedral Road

Telephone: (254) 020 2729502/49

E-mail: head@nascop.or.ke

Website: www.nascop.or.ke

1.2 Project Information

Project Start Date:	The project start date is 1 st January 2018
Project End Date:	The project end date is 30 th June 2021
Project Manager:	The project manager is Dr. Pacifica Kerubo Onyancha
Project Sponsor:	The project sponsor is Global Fund to Fight Against AIDS, Tuberculosis and Malaria

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Health.
Project number	KEN – H – TNT GA 1547
Strategic goals of the project	The strategic goals of the project are as follows: (i) By 2021, reduce new HIV infections by 75% (ii) By 2021, reduce AIDS related mortality by 25%

GLOBAL FUND HIV AIDS PROGRAM GRANT No. KEN-H-TNT GA 1547
Reports and Financial Statements
For the financial year ended June 30, 2020

	<ul style="list-style-type: none"> (iii) A strong focus on Key populations i.e. AGYW, MSM, FWSs and PWIDS (iv) Use of Programmatic approaches among the Key populations by the adoption of differentiated care service delivery for HIV in order to increase uptake of services (v) With the adoption of 90, 90, 90 global targets, monitoring viral load suppression among patients on ART will be a core activity.
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Scaling-up care and treatment services to reach the 90 90 90 targets by 2021 (ii) Scaling-up coverage of Key Populations interventions (iii) Reducing risky behaviour among the target population (iv) Implementation at national level of the skilled free deliveries strategy (v) Increasing coverage of HTC, VMMC, PMTCT and PEP programs (vi) Supporting community interventions towards PLWHA and PMTCT and improving the linkage between the communities and the health facilities (vii) Complementarity between governmental and civil society Principal Recipients (viii) Strengthening PSM for HIV commodities
Other important background information of the project	The project is managed by the Ministry of Health on behalf of the National Treasury who are the Principal Recipient of this grant.
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) HIV prevention programs (ii) Provision of HIV care and treatment to those living with HIV (iii) Mitigate the social and economic effect of HIV among those infected and affected by HIV. (iv) Strengthening of procurement and supply chain management
Project duration	The project started on 1 st January, 2018 and is expected to run until 30 th June 2021

1.4 Bankers

The following are the bankers for the current year:

Co-operative Bank of Kenya

Nairobi Business Centre - Branch

1.5 Auditors

The project is audited by:

The Auditor-General

Office of the Auditor-General, Kenya

P.O. Box 30084 – 00100

Nairobi

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Dr. Pacifica K. Onyancha	Ag Director Preventive and Promotive Health Services	Masters Psychiatry medicine	Ag Director Preventive and Promotive Health services
Dr. Nazila Ganatra	SADMS	Master's in Public Health/Masters in Epidemiology	Head, National Strategic Public Health Programs
Dr. Catherine Njeri Ngugi	Senior Medical officer	Master's in Public Health	Program Head: NASCOP Oversight authority and Grant implementation
Dr. Newton A Omale	Assistant Chief Pharmacist	Masters in Pharmaceuticals and Medicine control. BPharm	Global Fund Manager: Technical Officer in charge of Coordination of grant and implementation.
Dr. Evans A. Imbuki	Assistant Chief Pharmacist	Masters in Pharmacoepidemiology and Pharmacovigilance. BPharm.	Pharmacist: In charge of procurement of commodities for grant activities
CPA. Elijah M. Ombati	Program Accountant	Master's in Business Administration (Finance) CPA(K)	Program Accountant: In charge of sound Financial Management and Reporting on program Financial Statements

GLOBAL FUND HIV AIDS PROGRAM GRANT No. KEN-H-TNT GA 1547
Reports and Financial Statements
For the financial year ended June 30, 2020

1.7 Funding summary

The Project is for duration of 31/2 years from 2018 to 2021 with an approved budget of US\$ **25,286,275** equivalent to KShs **2,635,386,325** as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30.06.2020)		Undrawn balance to date (30.06.2020)	
	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Global Fund	25,586,275	2,635,386,325	17,539,282.27	1,806,546,074	8,046,99.73	828,840,251
Total	25,586,275	2,635,386,325	17,539,282.27	1,806,546,074	8,046,992.73	828,840,251

1.8 Summary of Overall Project Performance:

- Most of the planned activities (outputs) were carried out during the financial year under review. Overall, the program performed well to the level it was rated **A1** by the donor monitoring and evaluation team. The achievement ratio (ratio/target) of most of the coverage indicators were above average with the exception of absorption rate. The programmed activities have on average achieved 70%, though the planned target is 90%.
- Value for money, target has seen improved performance since we migrated to M-pesa and IB mode of transacting on program activity financing reducing the incidences of pilferage through temporary imp rests which was not secure as a mode of settling of programmed expenses.
- The biggest challenge facing the implementation of the program arises out of the split of the duties between the National Government and the County Governments after devolution. Activities delegated to the County Governments medical teams are always delayed in implementation or accountability on resources ceded to carry out these activities has been a challenge to validate. However, Kenya Coordinating Mechanism (KCM) and the Council of Governors (CoG) have been engaging to finding a lasting solution to enable a flawless operation of the programmed activities.

1.9 Summary of Project Compliance:

The project has continued to comply with both donor and government regulations in force from time to time and has not had issues on non – compliance.

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Principal Secretary* for the Ministry of Health and the *Project Manager* for Global Fund HIV/AIDS Program are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on 30th June, 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.

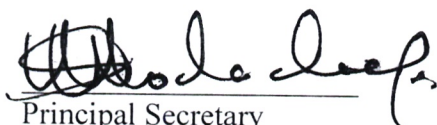
The *Principal Secretary* for the Ministry of Health and the *Project Manager* for Global Fund HIV/AIDS Program accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Principal Secretary* for the Ministry of Health and the *Project Manager* for Global Fund HIV/AIDS Program are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended 30th June, 2020, and of the Project's financial position as at that date. The *Principal Secretary* for Health and the *Project Manager* for Global Fund HIV/AIDS Program 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 Global Fund HIV/AIDS Program confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the *Principal Secretary* for the Ministry of Health and the *Project Manager* for Global Fund HIV/AIDS Program on 08/10/ 2020 and signed by them.



Principal Secretary
Susan Nyamoita Mochache



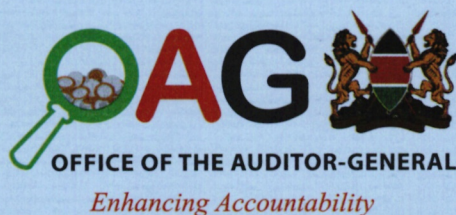
Project Coordinator
Pacifica Kerubo Onyancha



Project Accountant
Elijah M. Ombati
ICPAK Member Number: 9736

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 GLOBAL FUND HIV AIDS PROGRAM (GRANT NO. KEN-H-TNT GA 1547) FOR THE YEAR ENDED 30 JUNE, 2020 - MINISTRY OF HEALTH

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Global Fund HIV AIDS Program set out on pages 1 to 16, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Global Fund HIV AIDS Program as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Grant Agreement No. KEN-H-TNT GA 1547 dated 15 December, 2017 between the Global Fund and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transaction and the closing balance has been reconciled with the books of account.

Basis for Qualified Opinion

Unsupported Cash and Cash Equivalents

As disclosed under Note 9.7 to the financial statements, the statement of financial assets reflects cash and cash equivalents balance of Kshs.421,185,310 which constitutes a bank balance of Kshs.420,811,123 and Kshs.374,187 being Mpesa balance. However, the reconciliation statement supporting the bank balance indicates payments in bank statement not in the cashbook totaling Kshs.619,500 and payments in cashbook not in bank statement amounting to Kshs.2,206,420 and whose clearance status had not been disclosed at the time of conclusion of the audit in October, 2020.

In addition, the Mpesa balance of Kshs.374,187 includes an opening balance of Kshs.15,000,000 whose supporting documents by way of Mpesa confirmation certificate was not availed for audit review.

Consequently, the accuracy and completeness of the cash and cash equivalent balance of Kshs.421,185,310 reflected in the statement of financial assets as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Global Fund HIV AIDS Program 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 qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unaccounted for Imprests

As disclosed under Note 9.8 to the financial statements, the statement of financial assets reflects a balance of Kshs.1,312,660 under accounts receivable imprests and advances which includes imprests of Kshs.1,112,660. The outstanding imprests were overdue as at 30 June, 2020 contrary to Section 93(5) of the Public Finance Management Act (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the same within seven (7) working days after returning to the duty station. Further, Section 93(6) provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank rate.

Consequently, the Management is in breach of the law.

2. Payments Made Inclusive of VAT Contrary to Guidelines

The statement of receipts and payments reflects purchase of goods and services of Kshs.438,097,261 which includes an amount of Kshs.38,208,319 for printing, advertising

and information supplies and services. The balance includes value added tax (VAT) amount totalling to Kshs.4,577,869 paid to suppliers, contrary to the Global Fund Guidelines section 3.5(1) which categorizes use of grant funds to pay for VAT as non-allowable expense.

The Management is therefore in breach of the Grant regulations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Grant Agreement No. KEN-H-TNT GA 1547, except for the matters reported in the basis for Qualified Opinion, and Basis for conclusion on lawfulness and effectiveness in use of public resources sections of my report, 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 Program so far as appears from the examination of those records; and,
- iii. The Program'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 such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Program'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 Program or to cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Program 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 overall 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 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional 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 Program's ability to continue 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 Program to cease to continue 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 Program 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

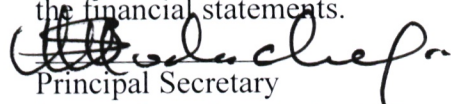
Nairobi

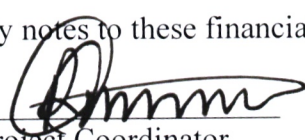
21 December, 2020

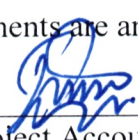
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2020

	No te	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						
Transfer from Government entities		0	-	0	-	0
Proceeds from domestic and foreign grants	9.3	838,055,464	0	649,406,625	0	1,806,546,074
Miscellaneous receipts	9.4	59,889,531	0	20,659,609	0	80,594,369
TOTAL RECEIPTS		897,944,995	0	670,066,234	0	1,887,140,443
PAYMENTS						
Compensation of employees	9.5	131,258,544	0	119,787,906	0	303,715,756
Purchase of goods and services	9.6	438,097,261	0	651,603,291	0	1,160,926,717
TOTAL PAYMENTS		(569,355,804)	0	(771,391,197)	0	(1,464,642,472)
SURPLUS/(DEFICIT)		328,589,190	0	(101,324,963)	0	422,497,969

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


Principal Secretary
Susan Nyamoita Mochache


Project Coordinator
Pacifica Kerubo Onyancha

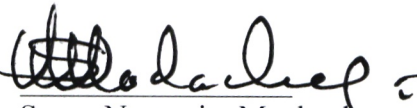

Project Accountant
Elijah M Ombati
ICPAK Member No:9736

GLOBAL FUND HIV AIDS PROGRAM GRANT No. KEN-H-TNT GA 1547
Reports and Financial Statements
For the financial year ended June 30, 2020


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

	Note	2019-2020	2018-2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9.7A	420,811,123	76,948,910
Cash and Cash Equivalent ... (M~Pesa)	9.7B	374,187	15,000,000
Total cash and cash equivalent		421,185,310	91,948,910
Accounts receivables – Imprest and Advances	9.8	1,312,660	1,959,870
TOTAL FINANCIAL ASSETS		422,497,970	93,908,780
REPRESENTED BY			
Fund balance b/fwd.		93,908,780	195,233,743
Surplus/(Deficit) for the year		328,589,190	(101,324,963)
NET FINANCIAL POSITION		422,497,970	93,908,780

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 08/12 2020 and signed by:


 Susan Nyamoita Mochache
 Date

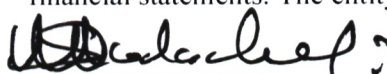

 Pacifica Kerubo Onyancha
 Date 17/12/2020

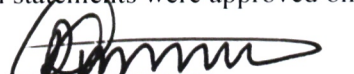

 Elijah M Ombati
 Date
 ICPAK Member No:9736

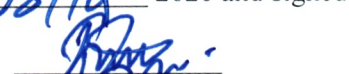
6. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2020

		2019-2020	2018-2019
	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities		0	0
Proceeds from domestic and foreign grants	9.3	838,055,464	649,406,625
Miscellaneous receipts	9.4	59,889,531	20,659,609
Payments from operating activities			
Compensation of employees	9.5	131,258,544	119,787,906
Purchase of goods and services	9.6	438,097,261	651,603,291
Adjustments during the year			
Net cash flow from operating activities		328,589,190	(101,324,963)
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year		93,908,780	195,233,743
Cash and cash equivalent at END of the year		422,497,790	93,908,780

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 08/12 2020 and signed by:


 Susan Nyamoita Mochache
 Date


 Patricia Kerubo Onyancha
 Date 17/12/2020


 Elijah M. Ombati
 Date
 ICPAK Member No:9736

GLOBAL FUND HIV AIDS PROGRAM GRANT No. KEN-H-TNT GA 1547
Reports and Financial Statements
For the financial year ended June 30, 2020

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

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 domestic and foreign grants	1,220,651,084		1,220,651,084	838,055,464	382,595,620	69
Miscellaneous receipts	4,357,999		4,357,999	59,889,532	(55,531,532)	1374
Total Receipts	1,225,009,083		1,225,009,083	897,944,996	327,064,088	
Payments						
Compensation of employees	173,225,607		173,225,607	130,911,745	42,313,862	76
Purchase of goods and services	1,047,069,077		1,047,069,077	438,097,261	608,971,816	42
Social security benefits	356,400		356,400	346,800	9,600	97
Total Payments	1,220,651,084		1,220,651,084	569,355,806	651,295,278	

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


 Susan Nyamoita Mochache
 Date


 Pacifica Kerubo Onyancha
 Date


 Elijah M. Ombati
 Date
 ICPAK Member No:9736

NOTES TO THE FINANCIAL STATEMENTS

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

9.1. Basis of Preparation

9.1.1. 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 imp rests 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.

9.1.2. Reporting entity

The financial statements are for the Global Fund HIV Aids Program under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

9.1.3. 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.

9.2. 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 be 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.

- **External Assistance**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Proceeds from borrowing

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

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

• **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 the time associated cash is received.

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.

• **Compensation of employees**

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

• **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.

• **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

- **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.

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 imp rests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

For the purposes of these financial statements, imp rests and advances to authorized 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 imp rest payments are recognized as payments when fully accounted for by the imp rest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

f) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

g) Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year.

When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

i) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imp rest 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 recognized 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 under review has been included in an annex to these financial statements.

j) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third party's column in the statement of receipts and payments.

During the year No loan disbursements were received in form of direct payments from third parties.

k) 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 recognized in the statements of receipts and payments.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Comparative figures

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

m) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

n) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.3.PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

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

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Total amount in Kshs	
				2019/20	2018/19
				USD	KShs
Grants Received from Bilateral Donors (Foreign Governments)					
Global Fund		8,136,460.82	838,055,464	838,055,464	649,406,625
Total		8,136,460.82	838,055,464	838,055,464	649,406,625

GLOBAL FUND HIV AIDS PROGRAM GRANT No. KEN-H-TNT GA 1547
Reports and Financial Statements
For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.4.MISCELLANEOUS RECEIPTS

	2019/20			2018/19	Cumulative to-date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		(from inception)
	KShs	KShs	KShs		
Interest earned	4,357,999	0	4,357,999	2,479,304	6,864,532
Other receipts not classified elsewhere	55,531,532	0	55,531,532	18,180,305	73,729,837
TOTAL	<u>59,889,531</u>		<u>59,889,531</u>	<u>20,659,609</u>	<u>80,594,369</u>

Note: The Global Fund gave authority through letter ref.GM/HIA2/JO-JM dated 26 June 2020 to transfer the balance in the old grant account (Round 7) to the New Funding Model account.

9.5.COMPENSATION OF EMPLOYEES

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
-					
Basic salaries of permanent employees	0	0	0	0	0
Basic wages of temporary employees	117,559,045	0	117,559,045	118,109,406	287,531,057
Personal allowances paid as part of salary	12,060,000	0	12,060,000	0	12,060,000
Compulsory national social security schemes	346,800	0	346,800	356,400	12,588,400
Compulsory national health insurance schemes	1,292,700	0	1,292,700	1,322,100	1,292,700
Total	<u>131,258,545</u>	<u>0</u>	<u>131,258,545</u>	<u>119,787,906</u>	<u>303,715,757</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.6. PURCHASE OF GOODS AND SERVICES

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	0	0	0	0	0
Communication, supplies and services	2,684,839	0	2,684,839	4,869,293	8,904,132
Domestic travel and subsistence	4,487,129	0	4,487,129	9,866,975	16,492,404
Foreign travel and subsistence	836,285	0	836,285	2,885,977	3,837,531
Printing, advertising and – information supplies & services	38,208,319	0	38,208,319	54,773,740	94,298,264
Rentals of produced assets	0	0	0	0	0
Training payments	301,141,846	0	301,141,846	483,527,125	819,390,595
Hospitality supplies and services	48,845,753	0	48,845,753	65,747,397	120,510,605
Insurance costs	14,301,831	0	14,301,831	0	27,991,563
Specialized materials and services	14,958,000	0	14,958,000	20,877,110	40,933,450
Other operating payments	1,015,817	0	1,015,817	5,241,638	12,136,694
Routine maintenance – vehicles and other transport equipment	11,617,442	0	11,617,442	3,814,036	16,431,478
Routine maintenance – other assets	0	0	0	0	
Exchange rate losses/gains (net)	0	0	0	0	
Total	438,097,261	0	438,097,261	651,603,291	1,160,926,717

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.7.CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts (Note 9.7A)	420,811,123	76,948,910
Cash in hand	0	0
Cash equivalents (short-term deposits) (Note 9.7B)	374,187	15,000,000
Total	<u>421,185,310</u>	<u>91,948,910</u>

The project has one number of project accounts spread within the project implementation area and one number of foreign currency designated accounts managed by the National Treasury as listed below:

9.7A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	0	0
Kenya Commercial Bank [A/c No.....]	0	0
Co-operative Bank of Kenya [A/c No.....]	0	0
Others (<i>specify</i>)	0	0
Total Foreign Currency balances	0	<u>0</u>
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	0	0
Kenya Commercial Bank [A/c No.....]	0	0
Co-operative Bank of Kenya [A/c No. 01141696726200]	420,811,123	76,948,910
Others (<i>specify</i>)	0	0
Total local currency balances	<u>420,811,123</u>	<u>76,948,910</u>
Total bank account balances	<u>420,811,123</u>	<u>76,948,910</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.7B Cash equivalents (short-term deposits)

	2019/20	2018/19
	KShs	KShs
MPESA Holding B2C(0420448007)	374,187	15,000,000
Total	<u>374,187</u>	<u>15,000,000</u>

9.8. OUTSTANDING IMPRESTS AND ADVANCES

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2020	Balance 2019
Ambrose Juma	1,219,940	28.09.2018	889,940	330,000	330,000
Barbara Mambo	769,440	30.06.2019	nil	769,440	769,440
Caroline Ogeto	401,120	10.07.2019	387,900	13,220	-
Kirui Elvis	650,400	30.06.2019	635,730	-	14670
Japhet Gituku	501,240	30.06.2019	501,240	-	501,240
Frankline songok	537,040	30.06.2019	533,405	-	3,635
Rose Ayugi	715,840	30.06.2019	687,130	-	28,710
Lance Dudah	551,440	30.06.2019	463,240	-	88,200
Betty Chekwony	729,200	30.06.2019	726,800	-	2,400
Anthony Wachira	622,880	30.06.2019	622,145	-	735
Brenda Opanga	930,960	30.06.2019	893,240	-	37,720
Betner Nyamota	681,040	30.06.2019	499,520	-	181,520
Ahmed Fidhow	786,880	30.06.2019	785,280	-	1,600
Safaricom prepaid	200,000	01.03.2020	-	200,000	-
Total	<u>9,097,420</u>		<u>7,625,570</u>	<u>1,312,660</u>	<u>1,959,870</u>

NOTE:

1. Ambrose Juma balance of Ksh 330,000 was stolen and he reported to police vide OB no OB/06/7/10/2018 the case still in court.
2. Barbara Mambo balance of Ksh 769,440 this has since been cleared through payment voucher no 056 dated 11/09/2020.
3. The prepaid amount to Safaricom relates to deposit for telephone/mobile used to support field officers.

GLOBAL FUND HIV AIDS PROGRAM GRANT No. KEN-H-TNT GA 1547
Reports and Financial Statements
For the financial year ended June 30, 2020

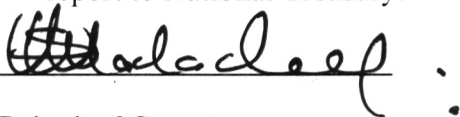
10. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported cash and cash equivalent for the Mpesa balance of Kshs.15 Million	The management is following up with Safaricom to obtain the confirmation certificate	Head, NASCOP/Program Accountant	Not Resolved	December 2020
2	Unaccounted for Imprests totalling Kshs.1,959,870	All imprest has been surrendered except one which is a police case as the officer had been robbed.	Head, NASCOP/Program Accountant	Not Resolved	December 2020

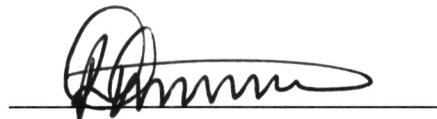
Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



Principal Secretary

Date



Project Coordinator

Date 17/12/2020

GLOBAL FUND HIV AIDS PROGRAM GRANT No. KEN-H-TNT GA 1547

Reports and Financial Statements

For the financial year ended June 30, 2020

ANNEX 1 – VARIANCE EXPLANATIONS – COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a%	
Receipts					
Proceeds from domestic and foreign grants	1,220,651,084	838,055,464	382,595,620	69	Many activities were not conducted, because of covid-19.
Miscellaneous receipts	4,357,999	59,889,531	(55,531,532)	1374	The balance in the Round 7 grant was transferred to the new funding model account during the year
Total Receipts	1,225,009,083	897,944,995	327,064,088		
Payments					
Compensation of employees	173,225,607	130,911,745	42,313,862	76	Some employees left the program and budgeted recruits were not recruited because of pandemic.
Purchase of goods and services	1,047,069,077	438,097,261	608,971,816	42	Many activities were not conducted, because of covid-19.
Social security benefits	356,400	346,800	9,600	97	Some employees left the program.
Total Payments	1,220,651,085	569,355,808	651,295,278		

GLOBAL FUND HIV AIDS PROGRAM GRANT No. KEN-H-TNT GA 1547
Reports and Financial Statements
For the financial year ended June 30, 2020

APPENDICES

- i. Bank Reconciliations
- ii. Cash Count Certificate
- iii. Special Deposit Account(s) reconciliation statement(s)

ANNEX 4 CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Currency	Estimated Amount Kshs	Expected date of payment	Remarks
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

APPENDICES

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