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THE AUDITOR-GENERAL

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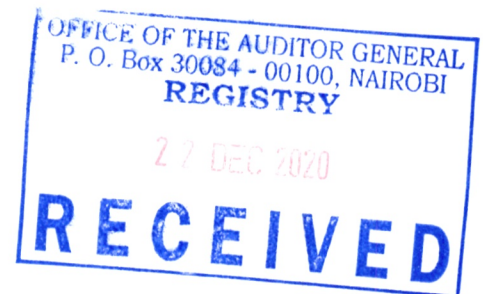
**SUPPORT OF THE HEALTH CARE
FINANCING STRATEGY - REPRODUCTIVE
HEALTH - OUTPUT BASED APPROACH
(RH-OBA) PROJECT
(CREDIT BMZ NO. KENYA 201065853)**

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

MINISTRY OF HEALTH



1953-54



Project Name
REPRODUCTIVE HEALTH – OUTPUT BASED APPROACH (RH – OBA)

Implementing Entity
MINISTRY OF HEALTH

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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



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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Institutional Details/Information

PricewaterhouseCoopers Ltd is the Voucher Management Agency (VMA) for the Reproductive Health-Output Based Approach (RH-OBA) Program. During the financial year 2019/20, the VMA had its office at PwC Tower, Waiyaki Way/Chiromo Road, Westlands. For the year 2019/20 VMA maintained the main Project and Special accounts with Standard Chartered Bank – Kenyatta Avenue.

Contacts:

The following are the project contacts

Telephone: (254) 020 2855000

E-mail: simon.mutinda@pwc.com

1.2 Project Objective and Concept

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

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

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

**Output Based Approach Project
Reports and Financial Statements
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Project Information

Project Start Date:	The project start date is November 2005
Project End Date:	The project end date was January 2017
Project Director	The VMA project director is Mr Simon Mutinda
Project Manager:	The VMA project manager was Ms Rose Mutunga
Project Sponsor:	The project sponsor is KfW and the Government of Kenya through the Ministry of Health

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

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Health.
Project number	BMZ No. KENYA 2010 65 853
Strategic goals of the project	The strategic goals of the project are as follows: i) Offer quality reproductive health care services for economically disadvantaged populations by means of a voucher system; and ii) Contribute to a reduction of both maternal and infant mortality rates in Kenya.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: i) Contracting Voucher Service Providers (VSPs) and Voucher Service Distributors (VSDs); ii) Developing and implementing a marketing and distribution mechanism for the vouchers/smart cards to the target population; iii) Developing and implementing a system for claims processing; iv) Collection and processing of claims; and v) Monitoring and supervising quality of the services provided.
Other important background information of the project	The Output Based approach (OBA) reproductive health programme is intended to contribute to a reduction in both maternal and infant mortality rates by improving access to and utilisation of reproductive health services by the economically disadvantaged populations. Under Phase 1 (November 2005 to October 2008) OBA was financed through an agreement between the GoK and KfW with an overall budget of € 7.054m. The programme was piloted in three rural regions (Kisumu, Kiambu, and Kitui) and in two urban

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	<p>sites in Nairobi (Viwandani and Korogocho). Phase 2 was financed through a new financial agreement that was signed by GoK and KfW in May 2008. Phase 2 started in November 2008 with a budget of €10m. Under Phase 3 (November 2011 to October 2014), the programme was expanded to new regions and currently covers Kitui, Kilifi and Kisumu (entire counties), Nairobi (Korogocho and Viwandani) and Kiambu (sections of the county). Phase 4 of the program started in February 2015 covering the same regions as Phase 4.</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) Reduce child mortality rate: Infant mortality and under-five mortality rates were at 52 deaths per 1,000 live births and 74 deaths per 1,000 live births respectively at 2012 (Kenya MDGs status Report); ii) Improve maternal mortality ratio: maternal mortality ratio was at 362 per 100,000 live births in 2014 (Kenya Demographic and Health Survey, 2014); iii) Improve access to long-acting family planning services: contraceptive prevalence rate was at 46 % in 2012 (Kenya MDGs status Report); iv) Support gender violence recovery survivors to access services at accredited health facilities.
Project duration	<p>The project started in November 2005 and ran up to March 2018. Since the project has ended there were no program related activities during the 2019/2020 financial year. The project was phased as follows;</p> <ul style="list-style-type: none"> i. Phase I-November 2005-October 2008 ii. Phase II-November 2008-October 2011 iii. Phase III-November 2011-October 2014 iv. Phase IV-February 2015-January 2017

1.4 Bankers

The project operates bank accounts with the following banks:

- 1) Standard Chartered Bank - Active
- 2) Kenya Commercial Bank - Closed
- 3) Equity Bank - Closed

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Auditors

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

1.5 Roles and Responsibilities

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

Names	Title designation	Responsibilities	Contact information
Julian Lenk	Program Manager - Health, KfW	Management of the donor aspects of the programme; providing linkage between the donor and the PMU & VMA; coordinating funding of the programme from the donor side.	+254 (20) 4228200 Julian.Lenk@kfw.de
Stephen Kaboro	Program Manager, PMU, Ministry of Health	Management of the MoH functions of the programme; oversight over the Voucher Management Agency; overall management of programme.	+254 (20) 2717077 mbugua.kaboro@gmail.com
Moses Ranji	Project Accountant, PMU, Ministry of Health	Leading the finance and accounting aspects of the programme at the Ministry of Health.	+254 (20) 2717077 muitex@yahoo.com
Simon Mutinda	Project Director, Voucher Management Agency	Overall management of the VMA functions including contracting of VSPs, targeting strategy and distribution of vouchers, claims processing and reporting.	+254 (20) 2855000 simon.mutinda@pwc.com
Rose Mutunga	Project Manager, Voucher Management Agency	Support to the Project Director in the management of the VMA functions including contracting of VSPs, targeting	+254 (20) 2855000 rose.mutunga@pwc.com

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Names	Title designation	Responsibilities	Contact information
		strategy and distribution of vouchers, claims processing and reporting.	
Alex Nyaga	Finance Manager, Voucher Management Agency	Leading the finance and accounting aspects of the programme at the VMA and providing oversight of the project.	+254 (20) 2855000 alex.nyaga@pwc.com

1.6 Funding summary

Phase I (Oct 2005- Oct 2008) with a budget of € 6.5 million (KfW); Phase II (Nov 2008- Oct 2011) budgeted at €10.00 million (KfW) and € 0.3 million (GoK); and Phase III (Nov 2011-Oct 2014) budgeted at €13.7 million (KfW) and €1.5 million (GoK). Phase IV (April 2015 – January 2018) – Phase IV was to be funded from the unutilised balances from the GoK and donor commitments made in the previous Phases.

The cumulative commitment by the donor from Phase I - IV was Euro 30.2 million. The total amount received by the project by 30 June 2020 was Euro 29,144,624 (equivalent to Kshs 3,177,174,979); therefore, the undrawn balance as at 30 June 2019 was Euro 1,055,376 (equivalent to Kshs 126,792,873). The table below shows the funding status:

Source of funds	Donor Commitment – cumulative (Phase I - III)		Amount received to date – (30 06 2020)		Undrawn balance to date (30 06 2020)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	Euros(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
KfW	30,200,000	3,273,686,056	29,144,624	3,177,174,979	1,055,376	126,792,873
Total	30,200,000	3,273,686,056	29,144,624	3,177,174,979	1,055,376	126,792,873

Note:

The undrawn balance of EUR 1,055,376 was converted using CBK forex rate of Kshs.120.14 at the end of the 2019/20 financial year thus arriving at the balance of Kshs.126,792,873.

**Output Based Approach Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

1.7 Summary of Overall Project Performance:

Budget performance against actual amounts for current year and for cumulative to-date,	The committed funding by KfW up to 30 June 2014 was Euro 30.2 million. As at 30 June 2020, the undrawn balance was Euro 1,055,376.
Physical progress based on outputs, outcomes and impacts since project commencement,	<ul style="list-style-type: none"> i. Increased the contracted VSPs from 54 in Phase 1 to 299 in Phase 4; ii. Over 400,000 successful deliveries catered for by the OBA program; iii. Introduction of smart card technology as an alternative to paper-based vouchers which has enhanced the speed of claims processing and improved monitoring and reporting; iv. Improved access of health services by the poor and empowering OBA clients to exercise choice; v. Money earned by VSPs is spent to improve quality of services hence strengthening the health system; vi. System building – accreditation of service providers, quality management, transparent and fast processing of claims;
Comment on value-for-money achievements,	The VMA has implemented strategies aimed at reducing the overhead costs of the project. In the year 2019/20 the project did not have any operational costs.
List the implementation challenges and recommended way forward	<ul style="list-style-type: none"> i. Slow uptake of services in some regions – this has been addressed through vigorous marketing and collaborating with the administrative units, churches, community Health Workers, etc.; ii. Ineligible individuals trying to access the voucher – this has been addressed through a robust targeting strategy and utilisation of innovative eligibility identification tools; iii. Transition from Phase III to IV – the Ministry of Health granted a No-Cost-Extension to facilitate continuation of services with minimal disruption.

1.8 Summary of Project Compliance:

Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants	There have been no cases, significant or otherwise, of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.
Include consequences suffered on account of non-compliance or likely to be suffered	N/A
Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance	N/A

2. STATEMENT OF VOUCHER MANAGEMENT AGENCY RESPONSIBILITIES

The Voucher Management Agency is responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 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.

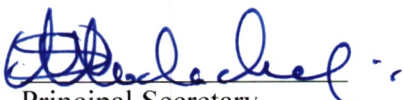
The Voucher Management Agency accepts responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Voucher Management Agency is of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2020, and of the Project's financial position as at that date. The Voucher Management Agency further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Voucher Management Agency confirms that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29 September 2020 and signed by:

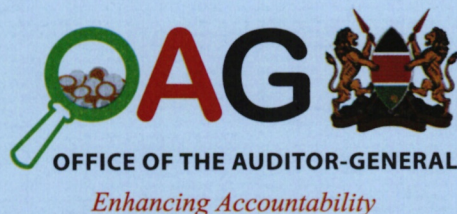

Principal Secretary
(Ministry of Health)


Project Director (Coordinator)
Simon Mutinda


Project Accountant
Alex Nyaga
ICPAK Member No.: 8930

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SUPPORT OF THE HEALTH CARE FINANCING STRATEGY - REPRODUCTIVE HEALTH - OUTPUT BASED APPROACH (RH-OBA) PROJECT (CREDIT BMZ NO. KENYA 201065853) FOR THE YEAR ENDED 30 JUNE, 2020 – MINISTRY OF HEALTH

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Support of the Health Care Financing Strategy - Reproductive Health - Output Based Approach Project set out on pages 10 to 23, which comprise of the statement of financial assets and liabilities 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, the financial statements present fairly, in all material respects, the financial position of the Support of the Health Care Financing Strategy – Reproductive Health – Output Based Approach Project 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 the Financing Agreement dated 7 October, 2011 between Frankfurt am Main (KfW) and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Support of the Health Care Financing Strategy - Reproductive Health - Output Based Approach 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.

Emphasis of Matter

I draw your attention to the disclosure under the funding summary section of the annual report and financial statements. The Project was expected to end in January, 2018 with total available funding of Kshs.3,273,686,056 (Euro 30,200,000). However, a review of the annual report and financial statements for the year ended 30 June, 2020, reflects undrawn balances of Kshs.126,792,873 and cash and cash equivalent balance of Kshs.14,648,976. The Management has attributed the reduction on reimbursable amounts to the Government of Kenya funding on free maternity. The outstanding amount is likely to be refunded to the Donor as no Project extension has been sought or any indication of engagement with the financier on the way forward.

My opinion is not modified on the effects of this matter described above.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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, I confirm that, nothing 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

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.

Responsibilities of Management and those charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or 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 Project 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 and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 Project'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 Project 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 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

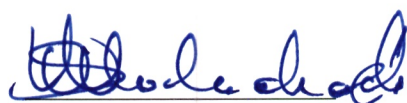
15 December, 2020

*Output Based Approach Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

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

	Note	2019/2020	2018/2019	Cumulative to Date
RECEIPTS	Note	Kshs	Kshs	Kshs
Transfer from Government entities	8.2	-	-	-
Proceeds from domestic and foreign grants	8.3	-	-	3,177,174,979
Loan from external development partners	8.4	-	-	-
Miscellaneous receipts	8.5	429,373	-	102,109,847
Total receipts		-	-	3,279,284,826
PAYMENTS				
Compensation of Employees	8.6	-	-	137,174,679
Purchase of goods and services	8.7	287,032	690,726	3,055,474,397
Acquisition of Non-Financial Assets	8.8	-	-	71,986,774
TOTAL PAYMENTS		287,032	690,726	3,264,635,850
SURPLUS/DEFICIT FOR THE YEAR		142,341	(690,726)	14,648,976

*As at 1 July 2019, the programme brought forward Kshs 14,506,635. During the current financial year, the programme did not receive any funds but earned miscellaneous receipts of Kshs 429,373 from a net foreign exchange gain from the funds held in the Euro Special Account. The project expenditure was Kshs 287,032. The surplus at the year-end was Kshs 142,341.2 as a result of the foreign exchange gain of 429,373 on funds in the Euro Special Account. The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Principal Secretary
(Ministry of Health)



Project Director (Coordinator)
Simon Mutinda



Project Accountant
Alex Nyaga
ICPAK Member No.: 8930

*Output Based Approach Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

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

	Note	2019/2020	2018/2019
FINANCIAL ASSETS		Kshs	Kshs
Cash and Cash Equivalents	8.9	-	-
Bank Balances	8.9 A	14,648,976	14,506,635
Cash Balances	8.9 B	-	-
Cash Equivalents	8.9 C	-	-
Imprests and Advances	8.10	-	-
Total Cash and Cash Equivalents		14,648,976	14,506,635
TOTAL FINANCIAL ASSETS			
REPRESENTED BY:			
Cash and cash equivalents B/F	8.9A	14,506,635	15,197,361
Surplus/Deficit for the year		142,341	(690,726)
Prior year adjustments			
NET FINANCIAL POSITION		14,648,976	14,506,635

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29 September 2020 and signed by:



Principal Secretary
(Ministry of Health)



Project Director (Coordinator)
Simon Mutinda




Project Accountant
Alex Nyaga
ICPAK Member No.: 8930


*Output Based Approach Project
Reports and Financial Statements
For the financial year ended June 30, 2020*


6. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED JUNE 30 2020

	2019/2020	2018/2019
Receipts for operating income	Kshs	Kshs
Transfer from Government entities	-	-
Proceeds from domestic and foreign grants	-	-
Miscellaneous /other receipts	429,373	
Payments for operating expenses		
Compensation of Employees	-	-
Purchase of goods and services	(287,032)	(690,726)
Acquisition of Non-Financial Assets		
Net cash flow from operating activities	142,341	(690,726)
CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of Assets		
Net cash flows from Investing Activities		
CASHFLOW FROM BORROWING ACTIVITIES		
Proceeds from Foreign Borrowings		
Net cash flow from financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENT		
Cash and cash equivalent at BEGINNING of the year	14,506,635	15,197,361
Cash and cash equivalent at END of the year	14,648,976	14,506,635

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 __29 September_2020 and signed by:


Principal Secretary
(Ministry of Health)


Project Director (Coordinator)
Simon Mutinda


Project Accountant
Alex Nyaga
ICPAK Member No.: 8930



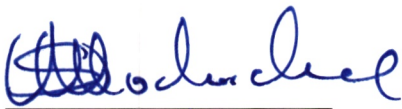
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*Output Based Approach Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

RECEIPTS/Payments	Budget	Actual	Variance	% Variance
Transfer from Government entities	-	-	-	
Proceeds from domestic and foreign grants	-	-	-	
Proceeds from borrowings	-	-	-	
Miscellaneous receipts	-	429,373	429,373	100%
TOTAL RECEIPTS	-	429,373	429,373	100%
PAYMENTS				
Compensation of Employees	-	-	-	-
Purchase of goods and services	-	287,032	287,032	100%
Acquisition of Non-Financial Assets	-	-	-	-
TOTAL PAYMENTS	-	287,032	287,032	100%

Note: The project came to an end in March 2018 and hence there are no operational costs. The reason that the project is yet to be closed is due to pending Voucher Service Provider Court Cases.



Principal Secretary
(Ministry of Health)



Project Director (Coordinator)
Simon Mutinda



Project Accountant
Alex Nyaga
ICPAK Member No.: 8930



8. NOTES TO THE FINANCIAL STATEMENTS

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

8.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Project and all values are rounded to the nearest one Shilling. The accounting policies adopted have been consistently applied to all of the years presented.

The financial statements have been prepared on the cash basis following the projects standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid out by the Project.

i. Recognition of revenue and expenses

The Project recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Project. In addition, the Project recognises all expenses when the event occurs and the related cash has actually been paid out by the Project.

ii. In-kind donations

In-kind donations are contributions made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value of in-kind donations can be reliably determined, the Project includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

iii. Cash and cash equivalents

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- iv. **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 simply disclosed as an Annex to the financial statements. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.
- v. **Budget**
The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. A high-level assessment of the Project's actual performance against the comparable budget for the financial year under review has been included in an annex 1 to these financial statements.
- vi. **Exchange rate differences**
The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.
- vii. **Comparative figures**
Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in financial statement presentation.
- viii. **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.

Output Based Project
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8.2 RECEIPTS FROM GOVERNMENT OF KENYA

During this financial year the VMA did not receive any funds from the Government of Kenya.

8.3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020 we did not receive any grants from donors.

8.4 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 the project did not receive funding from external development partners in form of loans.

8.5 MISCELLANEOUS RECEIPTS

Description	2019/20	2018/19	Cumulative
Voucher Sales	-	-	92,049,396
Interest Income	-	-	9,631,078
Foreign Exchange Gain	429,373	-	429,373
Total of Miscellaneous Incomes	429,373	-	102,109,847

Interest Income represents income earned from the projects cash balances in our operating account. This is part of the VMA's prudent treasury management efforts. In the year 2019/20 there was no interest income generated.

8.6 COMPENSATION OF EMPLOYEES

Description	2019/2020	2018/2019	Cumulative
Basic wages of temporary employees	-	-	120,667,349
Consultants Pay	-	-	16,507,330
Total	-	-	137,174,679

During the 12 months to 30 June 2019 the project did not have any expenses for compensation of temporary staff and consultants.

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8.7 PURCHASE OF GOODS AND SERVICES

Description	2019/20	2018/19	Cumulative
Utilities, supplies and services	-	-	2,940,421,889
Communication, supplies and services	-	-	16,237,694
Domestic Travel and Subsistence	-	-	2,997,172
Foreign Travel and Subsistence	-	-	37,556
Printing, advertising and Information, supplies and services	-	-	6,074,733
Training expenses	-	-	54,865,549
Hospitality supplies and services	-	-	-
Insurance Costs	-	-	694,768
Specialized materials and services	256,729	589,526	22,066,782
Other Operating expenses (Bank Charges)	30,303	29,954	8,346,825
Routine Maintenance-Vehicles and Other transport equipment	-	-	1,908,262
Routine Maintenance-Fuel	-	-	2,191,801
Exchange rate losses/gains (net)		71,247	(368,633)
Total	287,032	690,726	3,055,474,398

*KES 256,729 expenditure consists of Kaplan & Stratton's legal fees for court cases and arbitration cases for Marura and Beta Care and withholding tax remitted to the Kenya Revenue Authority for the fees paid as per below schedule.

Description	Date	Amount	PV No.
Legal fees for Kaplan Stratton	05-08-2019	171,151	PV-003-2019
Withholding tax for Kaplan payments	13-11-2019	26,570	PV-002-2019
Withholding tax for Kaplan payments Inv. No. AE1305	13-11-2019	9,008	PV-004-2019
Kaplan Stratton Deposit for Arbitrator's fee PMG/VNK/PR/59/80	18-11-2019	50,000	PV-005-2019
TOTAL		256,729	

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8.8 ACQUISITION OF NON-FINANCIAL ASSETS

Description	2018/19	2017/18	Cumulative
Purchase of Vehicle and Other Transport Equipment	-	-	12,449,407
Hand-held Gadgets - 200 pieces	-	-	35,522,694
Hand-held Gadgets – 334 pieces	-	-	19,963,180
Hand-held Gadgets – 55 pieces	-	-	3,719,569
Server	-	-	331,923
Total	-	-	71,986,774

8.9 CASH AND CASH EQUIVALENTS C/F

	Note	2019/2020	2018/2019
FINANCIAL ASSETS		Kshs	Kshs
Cash and Cash Equivalents	8.9		-
Bank Balances	8.9A	14,648,976	14,506,635
Cash Balances	8.9 B		
Cash Equivalents	8.9 C		
Imprests and Advances	8.10		
Total Cash and Cash Equivalents		14,648,976	14,506,635

8.9A BANK ACCOUNTS

	2019/2020	2018/2019
Cash Book Balances	Kshs	Kshs
Total Foreign Currency cashbook balances		
Standard Chartered Bank-Euro Account (Account Number-9 306022985002)	13,803,119	13,390,249
	13,803,119	13,390,249
Local Currencies cash book balances		
Standard Chartered -Kshs Cash book balance	845,857	1,116,386
Kenya Commercial Bank-Kshs Cash book balance		
Equity Bank-Kshs Account (Account Number- 0810297440920)		
Total for Local Currencies	845,857	1,116,386
Total bank account balances	14,648,976	14,506,635

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8.9A1 Net Cash Book Values

	Total Local Currency cashbook balances	Total Foreign Currency cashbook balances
Balance as per bank statement	845,857	1,116,386
Funds in Transit	-	-
Net Book Value	845,857	1,116,386

Notes to the bank statements;

- 1) The special bank account is operated in Standard Chartered in Euros. As at 30 June 2020, the special bank account had a closing cash book balance of Euro 114,891.95, which is translated at the closing rate of 120.14 to give a closing balance of Kshs 13,803,118.87.
- 2) The Standard Chartered (Kshs) account balance as at 30 June 2020 was Kshs 845,857 and a cash book balance of a similar amount.

8.9B Cash in hand

The project had nil cash in hand Balance as at June 30, 2020

8.9C Cash equivalents (short-term deposits)

The project had no short-term deposits as June 30, 2020

8.10 Outstanding Imprests and Advances

As at 30 June 2020, the project had no advances un-accounted for.

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9. OTHER IMPORTANT DISCLOSURES

9.1 PENDING BILLS

The project had no pending bills as at June 30 2020.

9.2 COURT CASES

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

Case File No.	Hospital	The Matter	Amount (KES)	Status of the court case
Civil Suit No. 494 of 2015 - Claim by Marura Nursing Home for Ksh. 10,188,233	Marura Nursing Home	The facility is disputing that the VMA has not settled claims amounting to Kshs. 4,823,265.	4,823,265	Currently going through court supervised mediation
N/A	Gender Violence Recovery Centre	The facility is disputing that the VMA has not settled claims amounting to Kshs. 6,951,877.	6,951,877	Dormant
N/A	Beta Care Nursing Home	The facility is disputing that the VMA has not settled claims amounting to Kshs. 2,464,812.	2,464,812	Arbitration is ongoing
	Total		14,239,954	

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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

In the previous financial audit, the external auditor raised an issue on the late submission of the Financial Statements and undrawn balances at the end of the project period. We provided management comments through our explanation detailed below.


Ref.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame
1	<p>Late submission of the Financial Statements</p> <p>The financial statements for the year ended 30 June 2019 were submitted for audit on 11 November 2019, after more than one month of the statutory deadline of 30 September 2019. This is contrary to Section 81(4)(a) of the Public Finance Management Act, 2012 which requires accounting officers to submit financial statements to the Auditor-General within three months after the end of each financial year to which the accounts relates.</p> <p>Management was therefore in breach of the law.</p>	<p>During the financial year 2018/2019, the project had no operational activities. As such, the staff allocated to this project were engaged in other assignments. Further to this, the initial financial statements submitted were misplaced within the Ministry delaying the submission to the Principal Secretary.</p> <p>We shall appoint an officer to be the liaison link with the PwC team until the project comes to a complete close. This will avoid future delays in submission of the reports.</p>	N/A	Resolved	N/A

**Output Based Project
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For the year ended June 30, 2020**


Ref.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame
2	<p>Undrawn Balances at the end of the Project period</p> <p>As reported in the previous year, the Reproductive Health - Output Based Approach (RH-OBA) program was intended to contribute in reduction to both maternal and infant mortality rates by improving access to and utilization of reproductive health services by the economically disadvantaged populations. As disclosed under the funding summary section of the annual report and financial statements, the project, (Phase I-IV) was expected to end in January 2018 with total available funding of Kshs.3,273,686,056 (EURO 30,200,000). However, a review of the annual report and financial statements for the year ended 30 June 2019, reflect undrawn balances of Kshs.122,746,139 (EURO 1,055,376) and cash and cash equivalent balance of Kshs.14,506,635 as at 30 June 2019 which is likely to be refunded to the donor as no project extension is in place. Although management explained the reduction on reimbursable amounts as due to GOK funding on free maternity, there was need to expand the area of coverage so as to utilize the grant and maximize the benefits. In the circumstances, the primary objective of reduction of both maternal and infant mortality rates and subsequent</p>	<p>As per the RH-OBA financial statements for FY 2018/19, RH-OBA project achieved a 97% utilization. The project objectives were met as presented in the final project implementation report.</p> <p>The remaining 3% was not utilized because;</p> <ol style="list-style-type: none"> 1. An introduction of free maternity services by GoK which was effected in 2012. This led to the reimbursement amounts to the facilities to be reduced e.g. normal delivery from Kshs 4,000 to Kshs 1,500. Consequently, this led to the project withdrawing less than what was expected within the project life and; 2. The Ministry of Health had planned to increase the 	N/A	Resolved	N/A

**Output Based Project
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For the year ended June 30, 2020**

Ref.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame
	value for money for the program may not have been fully achieved in light of undrawn and unutilized funds	number of districts in the 4th phase of implementation from 5 to 8 but this was not effected due to the free maternity services offered across the country by GoK.			


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