

PARLIAMENT  
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REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**EAST AFRICA PUBLIC HEALTH  
LABORATORY NETWORKING (EAPHLN)  
PROJECT CREDIT NO.4732 - KE**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

**KENYA MEDICAL SUPPLIES AUTHORITY**

THE NATIONAL ASSEMBLY PAPERS L AID	
DATE: 11 APR 2023	DAY: TUESDAY
TABLED BY:	Hon Owen Bayo, MP Deputy leader - Majority
CLERK-AT THE-TABLE:	Esther Ngunjo



**WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT**

**Reports and Financial Statements  
For the year ended June 30, 2022**

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**WORLD BANK KE-4732**

**EAST AFRICA PUBLIC HEALTH  
LABORATORY NETWORKING PROJECT**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE 2022**

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

**WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT**

**Reports and Financial Statements  
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**Reports and Financial Statements  
For the year ended June 30, 2022**

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**1. PROJECT GENERAL INFORMATION**

**(a) Project Physical Address**

13 Commercial Street, Industrial Area,  
P.O Box 47715 00100,  
**NAIROBI**

**(b) Project Contacts**

Telephone: +254 20 3922 000  
Email: info@kemsa.co.ke  
Website www.kemsa.co.ke

**(c) Project Bank**

National Bank of Kenya  
Harambee Avenue,  
**NAIROBI**

**(d) Auditors**

Office of the Auditor-General  
Anniversary Towers, University Way,  
**NAIROBI.**

**(e) Legal Advisers**

The Attorney General  
State law office,  
Harambee Avenue  
P. O. Box 40112  
**NAIROBI**

## **WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT**

**Reports and Financial Statements  
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### **PROJECT INFORMATION**

East Africa Public Health Laboratory Networking Project (EAPHLNP) started on 5<sup>th</sup> July 2010 and was expected to close on 31<sup>st</sup> March 2020 but was extended to 30<sup>th</sup> September 2020.

Project Development Objective was to establish a network of efficient high quality, accessible public health laboratories for the diagnosis and surveillance of TB and other communicable diseases.

The project includes three mutually reinforcing components which were to assist Kenya Rwanda, Tanzania and Uganda to diagnose communicable disease of public health importance and to share information about those diseases to amount an effective regional response.

#### **Project Objectives**

- Strengthen capacity to diagnose communicable diseases of public health importance and share information to mount an effective regional response.
- Support joint training and capacity building to expand the pool of qualified laboratory technicians.
- Fund joint operational research and promote knowledge sharing to enhance the evidence base for these investments and support regional coordination and program management.

In Kenya, the satellite laboratories are based at regional or district hospital in strategic cross border areas or in densely populated peri-urban areas where poverty is rampant and slum conditions serve as a breeding ground for the spread of diseases. Selected sites are based on;

- Hospital located in high transmission areas with large numbers of migrants or refugees.

**WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT**

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- Regional teaching hospitals which can serve as centres of excellence for conducting training and research
- Commitment to collaborate and coordinate efforts within and across countries

The satellite laboratories in Kenya are located in

- Machakos
- Malindi
- Kitale
- Busia
- National Public Health Laboratory Services
- Wajir

KEMSA is the procurement agent for EAPHL Project where funds are sent from World Bank through Ministry of Health to KEMSA to cater for cost of Equipment and consumables required at the satellite laboratories. Procurement functions are governed by procurement laws and are carried out in accordance with World Bank's guidelines.

KEMSA has been offering supply chain services to the project in line with World Bank guideline to ensure that the project achieves its set objectives.

<b>Project Start Date:</b>	<b>July, 05 2010</b>
<b>Project End Date:</b>	<b>31<sup>st</sup> March 2020 but extended to 30<sup>th</sup> September 2020</b>
<b>Project Sponsor:</b>	<b>The World Bank, Government of Kenya</b>

Project contact person:

**Name:** Head National Public Health Laboratory Services  
East Africa Public Health Laboratory Networking Project

**Email:** [mamoumuro@gmail.com](mailto:mamoumuro@gmail.com)

## **WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT**

### **Reports and Financial Statements**

**For the year ended June 30, 2022**

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#### **CHIEF EXECUTIVE OFFICER'S REPORT**

KEMSA Act has mandated the Authority to establish mechanisms that ensure efficiency, effectiveness and sustainability in carrying out its mandate. To achieve this, the Authority has rolled out its Strategic Plan 2019 – 2024 which is in its first year of implementation. The Plan takes into consideration Kenya's Vision 2030; Medium Term Plan III which envisions to provide "equitable and affordable health care at the highest standards. The plan also takes into consideration the Sustainable Development Goals No. 3 which seeks to ensure healthy lives and promote wellbeing for all at all ages thereby thrusting the prominence of citizen's health to the forefront of responsibilities for all governments.

The Kenya government has continued to give priority to strengthening of National Health Systems. This has been done through deliberate measures to commit more funds to the health sector in the national budget and partnering with development agencies.

With support from the World Bank East Africa Public Health Networking Project will bring together the public health laboratory of East Africa by building the capacity and giving regional focus to realize better health for the citizen.

KEMSA role in the implementation of the project was to offer supply chain services i.e. procurement, warehousing and distribution of laboratory equipment and consumables. KEMSA distributes program commodities which at times are integrated with Essential Medicines and Medical Supplies (EMMS). This includes reproductive health commodities, nutritional food supplements, TB/Leprosy laboratory equipment and consumable and ARV's. This is aimed at reducing distribution costs and managing medical commodities within one supply chain resulting in greater reach and efficiencies.

During the year 2021/2022, KEMSA used its strength in supply chain management to realize value for money in procuring laboratory equipment and consumables on behalf of the project.

**WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT**

**Reports and Financial Statements**

**For the year ended June 30, 2022**

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KEMSA will continue to invest in strategic partnership that add value to the discharge of its mandate under the KEMSA Act 2013 and realization of its Vision of being a leader in innovative health supply chain support solutions that support better health service delivery.

**TERRY RAMADHANI**

**CHIEF EXECUTIVE OFFICER**

Sign.....



Date.....

28/10/2022

**WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT**

**Reports and Financial Statements**

**For the year ended June 30, 2022**

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**PROJECT MANAGEMENT STATEMENT OF RESPONSIBILITIES**

The project management is required to prepare financial statements, which give a true and fair view of the state of affairs of East Africa Public Health Laboratory Networking Project (EAPHLNP) as at the end of the financial year and of its surplus or deficit for that year. During FY 2021/2022 the project did not have transactions, however the project had a deficit of **KSH (11,674,361)** in FY 2020/2021.

The project management is required to ensure that the Authority maintains proper accounting records, which disclose with reasonable accuracy, the financial position of the project. The management is also responsible for safeguarding the assets of the project. The project management accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, consistent with previous years and in conformity with the international public sector accounting standards (IPSAS)

The project management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Project as at 30<sup>th</sup> June 2022 and of its surplus for the year then ended. The project management further confirms the accuracy and completeness of the accounting records maintained by the Authority, which has been relied upon for the preparation of financial statements as well as the adequacy of the systems of the internal financial controls.

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT

Reports and Financial Statements  
For the year ended June 30, 2022

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This statement is approved and signed by:


Caroline Ogongi

Terry Ramadhani

Finance Manager

Chief Executive Officer

ICPAK M. No. 7024...

Sign.  .....

Sign.  .....

Date. 28/10/2022 .....

Date. 28/10/2022 .....

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# REPUBLIC OF KENYA

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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 EAST AFRICA PUBLIC HEALTH LABORATORY NETWORKING (EAPHLN) PROJECT CREDIT NO.4732 - KE FOR YEAR ENDED 30 JUNE, 2022 - KENYA MEDICAL SUPPLIES AUTHORITY**

### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of East Africa Public Health Laboratory Networking (EAPHLN) Project Credit No.4732 - KE set out on pages 10 to 22, which comprise of the statement of financial position as at 30 June, 2022, and the

statement of financial performance, statement of changes in net assets, statement of cash flows and statement of budget comparison 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 matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the East Africa Public Health Laboratory Networking (EAPHLN) Project Credit No.4732 - KE as at 30 June, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Agreement Credit No.4732 - KE dated 05 July, 2010 between the International Development Association and the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unpaid Retention Money**

The statement of financial position reflects trade and other payables from exchange transaction of Kshs.602,712 which, as disclosed in Note 7 to the financial statements relates to unpaid retention money. However, Management has not explained failure to pay the retention money some of which dates back to financial year 2018/2019 or continued disclosure as payable.

In the circumstances, the ownership and obligation of trade and other payables from exchange transaction of Kshs.602,712 could not be confirmed.

#### **2. Unexplained Reversal of Interest Expense**

The statement of changes in net assets reflects accumulated surplus balance of Kshs.18,240,726 which includes reversal of interest expense amounting to Kshs.11,343,918 that was payable to The National Treasury during the financial year 2020/2021. However, the reversal is not in line with International Public Sector Accounting Standard (IPSAS) 3 which requires all prior year adjustments to be effected through the previous period balances.

In the circumstances, the accuracy and completeness of above balances reflected in the financial statements could not be confirmed as at 30 June, 2022.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the East Africa Public Health Laboratory Networking (EAPHLN) Project Credit No.4732 - KE 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.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of 2020/2021 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved all the issues.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

## **Conclusion**

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

## **Basis for Conclusion**

### **Failure to Transfer Bank Balance**

The statement of financial position reflects cash and cash equivalent of Kshs.18,843,438 as disclosed in Note 5 to the financial statements. The amount related to bank balance in relation to a project whose end date was 30 September, 2020 but has not been closed. Failure to close the project contravenes Regulation 74(6)(c) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a National Government entity to ensure that the assets are handed over within three months from the date of the closure of the project.

In the circumstances, Management is in breach of the law.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Financing Agreement Credit No.4732 - KE dated 05 July, 2010, I report based on my audit, that:

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

### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to 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 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

01 December, 2022

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WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT

Reports and Financial Statements  
For the year ended June 30, 2022

STATEMENT OF FINANCIAL PERFORMANCE			
For year ended 30th June, 2022			
	Note	2021/2022	2020/2021
		Kshs	Kshs
<b>Revenue from non- exchange transactions</b>			
Receipts from World Bank	1	-	-
<b>Revenue from - exchange transactions</b>			
Other Income	1	-	-
<b>Total Revenue</b>		-	-
<b>Expenses</b>			
Purchase of Medical Equipment & consumables	2	-	329,843
Finance cost	3	-	600
Interest Expense	4	-	11,343,918
<b>Total Expenses</b>		-	<b>11,674,361</b>
<b>Surplus/(Deficit) for the period</b>		-	<b>(11,674,361)</b>

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT

Reports and Financial Statements  
For the year ended June 30, 2022

STATEMENT OF FINANCIAL POSITION

As at 30th June 2022

Assets	Note	2021/2022 Kshs	2020/2021 Kshs
<b>Current Assets</b>			
Cash and Cash-equivalents	5	18,843,438	18,843,438
<b>Total Current Assets</b>		<b>18,843,438</b>	<b>18,843,438</b>
<b>Non -Current Assets</b>			
Non -Current Assets			-
<b>Total Assets</b>		<b>18,843,438</b>	<b>18,843,438</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transaction	7	602,712	11,946,631
<b>Non- current liabilities</b>			
<b>Total Liabilities</b>		<b>602,712</b>	<b>11,946,631</b>
<b>Net Assets</b>		<b>18,240,726</b>	<b>6,896,808</b>
Revenue Reserves	6	18,240,726	6,896,808
<b>Total Net Asset and Liabilities</b>		<b>18,843,438</b>	<b>18,843,438</b>

The Financial Statements signed by;

Caroline Ogongi  
Finance Manager

Terry Ramadhani  
Chief Executive Officer

ICPAK M. No. 7024.....

Sign.....  .....

Sign.....  .....

Date..... 28/10/2022.....

Date..... 28/10/2022.....

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT

Reports and Financial Statements  
For the year ended June 30, 2022

STATEMENT OF CASH FLOWS

For the year ended June 30, 2022

	Note	2021/2022 Kshs	2020/2021 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from World Bank	1	-	-
Interest Income	1	-	-
<b>Total</b>		-	-
<b>Payments</b>			
Payment to suppliers lab Equipment	2	-	329,843
Finance cost	3	-	600
Interest Expense	4	-	11,343,918
<b>Cash from Operation</b>		-	<b>11,674,361</b>
<b>Cash flow from operating Activities</b>		-	<b>(11,674,361)</b>
<b>Adjust for:</b>			
Decrease (Increase) in receivable		-	-
Increase (Decrease) in Payables		(11,343,918)	1,452,734
<b>Net Cash flow from operating Activities</b>	<b>8</b>	<b>(11,343,918)</b>	<b>(10,221,627)</b>
Net Cash used on investing Activities			-
Cash flow used in Finance Activities		11,343,918	-
Net Increase/Decrease in cash and Cash Equivalent		-	(10,221,627)
Cash & Cash Equivalents at the start of the Year		18,843,438	29,065,065
<b>Cash &amp; Cash equivalents at end of the year June 30 2022</b>		<b>18,843,438</b>	<b>18,843,438</b>

**WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT**

**Reports and Financial Statements**

**For the year ended June 30, 2022**

**STATEMENT OF CHANGES IN NET ASSETS**

**For the Year Ended 30<sup>th</sup> June, 2022**

<b>Attributable to the owners of the controlling entity</b>						
	<b>Self insurance reserve</b>	<b>Reserve capital replacement development reserve</b>	<b>Housing reserve</b>	<b>Accumulated Surplus</b>	<b>Minority interest</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Balance as at 30 June 2019</b>				104,392,681		104,392,681
Surplus for the Period Transfer to/from Accumulated Surplus				(85,821,512)		(85,821,512)
<b>Balance as at 30 June 2020</b>				18,571,169		18,571,169
Surplus for the Period Transfer to/from Accumulated Surplus				(11,674,361)		(11,674,361)
<b>Balance as at 30 June 2021</b>				6,896,808		6,896,808
Reversal of interest expense				11,343,918		11,343,918
<b>Balance as at 30 June 2022</b>				18,240,726		18,240,726

**WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT**

**Reports and Financial Statements  
For the year ended June 30, 2022**

**STATEMENT OF BUDGET COMPARISON**

	For Financial Year ended June, 2022			Performance Difference 2021-2022	Reasons for re-allocation- IPSAS 24.29
	Original Budget 2021-2022	Actual on Comparable Basis 2021-2022			
<b>Revenue</b>					
Grants from East Africa Public Laboratory Networking Project	-	-	-	-	
Other Income	-	-	-	-	
<b>TOTAL INCOME</b>	-	-	-	-	
<b>Payments</b>					
Procurement of laboratory Equipment and Consumables	-	-	-	-	
Bank charges	-	-	-	-	
Interest expense	-	-	-	-	
<b>TOTAL EXPENSES</b>	-	-	-	-	
<b>SURPLUS FOR THE PERIOD</b>	-	-	-	-	

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **1. Statement of compliance and basis of preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS).

#### **a). Revenue Recognition**

##### **i) Revenue from non-exchange transactions**

###### **Fees**

The entity recognizes revenues from fees, when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**Transfers from other Government Entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

**ii) Revenue from exchange transactions**

*Rendering of services*

The entity recognizes revenue from rendering of services by reference to the stage of completion. When the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

*Finance Income*

Finance income comprises interest receivable from holding current accounts.

**b). Budget Information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c). Trade and Other Receivables**

Trade and other receivables are recognized at fair values.

**d). Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**e). Trade and Other Payables**

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**f). Exchange Rate Differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation as at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. KEMSA uses Central Bank Mean rate as at end of reporting period.

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**Reports and Financial Statements**

**For the year ended June 30, 2022**

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**g) Comparative figures**

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

**h). 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, 2022.

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NOTES TO THE FINANCIAL STATEMENTS FY 2021/2022

<b>1</b>	<b><u>Operating Income</u></b>	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Receipts from World Bank	-	-
	Other income - Interest Income	-	-
	<b>Total</b>	<b>=</b>	<b>=</b>
<b>2</b>	<b><u>Purchase of medical Equipment</u></b>	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Purchase of Medical Equipment and Consumables	-	329,843
	<b>Total</b>	<b>-</b>	<b>329,843</b>
<b>3</b>	<b><u>Finance cost</u></b>	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Bank charge	-	600
	<b>Total</b>	<b>-</b>	<b>600</b>
<b>4</b>	<b><u>Interest Expense</u></b>	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Interest Expense	-	11,343,918
	<b>Total</b>	<b>-</b>	<b>11,343,918</b>
<b>5</b>	<b><u>Cash and Cash Equivalent</u></b>	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Bank balance as at end of the period	18,843,438	18,843,438
	<b>Total</b>	<b>18,843,438</b>	<b>18,843,438</b>

WB KE-4732 (KEMSA) EAST AFRICA PUBLIC HEALTH NETWORKING PROJECT

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For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS FY 2021/2022 Continued

6	<b><u>Revenue Reserves</u></b>	<b>2021/2022</b>	<b>2020/2021</b>	
		<b>Kshs</b>	<b>Kshs</b>	
	At the beginning of the year	6,896,808	18,571,169	
	Deficit / surplus for the year	11,343,918	(11,674,361)	
	<b>Balance at year end</b>	<b>18,240,726</b>	<b>6,896,808</b>	
7	<b><u>Trade and other payable</u></b>	<b>2021/2022</b>	<b>2020/2021</b>	
		<b>Kshs</b>	<b>Kshs</b>	
	10% Retention (Anzal Eng Ltd)	216,571	216,571	
	ANZAL 3% contractor fees	22,474	22,474	
	ANZAL 10% Retention	86,901	86,901	
	ANZAL 10% Retention APP 2665-18/19	276,767	276,767	
	Interest payable to KEMSA Main	-	11,343,918	
	<b>Total</b>	<b>602,712</b>	<b>11,946,630</b>	
	8	<b><u>Cash Flow from Operations</u></b>	<b>2021/2022</b>	<b>2020/2021</b>
		Surplus (Deficit) for the year	-	(11,674,361)
<b>Working Capital Adjustments:</b>				
Decrease/ (Increase) in Receivables		-	-	
(Decrease)/Increase in payables		(11,343,919)	1,452,734	
<b>Net Cash Flows from Operating Activities</b>		<b>(11,343,919)</b>	<b>(10,221,627)</b>	

NOTES TO THE FINANCIAL STATEMENTS FY 2021/2022 Continued

PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p><b>Project Closure</b> A Review Of The Financing Agreement Indicates That The Project Was Expected To Come To An End On 30 September, 2020. However, The Project Account Has Not Been Closed To Date Without Any Explanations. Failure To Close The Project Contravenes Section 74(6)(C) Of The Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer of a national government entity shall ensure that whenever projects are completed, the project assets including buildings, plant, vehicles, furniture, fittings and equipment are properly recorded and handed over to the accounting officer in accordance with the financing agreement. Consequently, the Project Management is in breach of law.</p>	<p>The authority is in process of requesting for Concurrence to close the EAPHIL Account from National Treasury</p>	<p>Not Resolved</p>	<p>30<sup>th</sup> June 2023</p>
2	<p>Preparation and Presentation of CR. No.4732 (KEMSA) and CR. No. 5616 (MOH) Financial Statements.</p>	<p>KEMSA has been preparing a different set</p>	<p>Resolved</p>	

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**Reports and Financial Statements  
For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The financing agreement of the East Africa Public Health Laboratory Networking (EAPHILN) Project Credit No. 4732 KE between Republic of Kenya and International Development Association was signed on 05 July, 2010. In 2015 additional Subsidiary Financing Agreement for the East Africa Public Health Laboratory Networking Project Credit No. 5616 was signed on 10 November, 2015. The Management prepared two (2) sets of financial statements under these financing agreements. However, the financing agreement signed on 10 November, 2015 stated under Appendix Section I Paragraph 21 on definitions, that “original financing agreement means the financing agreement for the East Africa Public Health Laboratory Networking Project between the recipient and the association, (Credit No. 4732 KE)” and also under Section 5.01 of credit No. 4732 – states the additional condition of effectiveness consists of the Subsidiary Agreement.</p> <p>Consequently, the Management has not provided explanations for preparing two separate sets of financial statements for the same project contrary to the position of the agreements.</p>	<p>of Financial since Inception of Project as per World Bank Requirement</p>		

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