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 REPORT	
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THE AUDITOR-GENERAL

ON

**KENYA HEALTH SECTOR SUPPORT
(EMMS/KEMSA COMPONENT) PROJECT (IDA
CREDIT NO.4771 AND CREDIT NO.50340 - KE)**

**FOR THE YEAR ENDED
30 JUNE, 2021**

MINISTRY OF HEALTH AND KEMSA





**Project Name: KENYA: HEALTH SECTOR SUPPORT PROJECT
(EMMS/KEMSA COMPONENT)
Implementing Entity: MOH &KEMSA**

PROJECT GRANT/CREDIT NUMBER: CR NO: 4771-KE & 50340 - KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT CR
NO:4771-KE & 50340-KE
Reports and Financial Statements
For the financial year ended June 30, 2021

CONTENTS	PAGE
1. PROJECT INFORMATION AND OVERALL PERFORMANCE.....	ii
2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES.....	vi
3. REPORT OF THE INDEPENDENT AUDITORS ON THE KENYA HEALTH SECTOR SUPPORT PROJECT – EMMS /KEMSA COMPONENT.....	vii
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021	1
5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2021.....	2
6. STATEMENT OF CASHFLOW FOR THE PERIOD 30 JUNE 2021	3
7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
8. SIGNIFICANT ACCOUNTING POLICIES	5
9. NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2021	7
10. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	12
ANNEX 1 -VARIANCE EXPLANATIONS -COMPARATIVE BUDGET & ACTUAL AMOUNTS.....	13
ANNEX 2A - ANALYSIS OF PENDING BILLS.....	14
ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS	15
ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES	16
ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER.....	17

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The Kenya health sector support project and health sector support programme- The Essential Medicines and Medical Supplies Component.

Objective: The key objective of the project is to improve the quality of Health services at the lower levels of service, by providing adequate and quality drugs so as to reduce the level of stock-out and increase funding budgets for KEMSA.

Address: The project headquarters offices are Nairobi (city), Nairobi County, Kenya.

The address of its registered office is: Ministry of Health

Afy House – cathedral Road

P.O. Box 30016-00100 Nairobi.

The project is based at the National Level but it supports all the facilities at the Lower levels of service i.e. Level 1, 2, 3 and Sub District Hospitals.

Contacts: The following are the project contacts

Telephone: (254) -20-2717077

E-mail: PS @health.go.ke

Website: www.go.ke

1.2 Project Information

Project Start Date:	The project start date is 30/09/2010
Project End Date:	The project end date is 06/30/2018
Project Manager:	The project manager is Dr. David Kariuki
Project Sponsor:	The project sponsor is -Dr. Gandham N.V. Ramana

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Health Ministry.
Project number	CR 47710 & 50340
Strategic goals of the project	The strategic goals of the project were as follows: (i) To ensure an improved availability of commodities in the lower level of health Facilities. (ii) Help to address the problem of insufficient budget for the commodities and build up a buffer stock for EMMS for level 2 and 3 and limit extend for level 4.
Achievement of strategic goals	The project management managed to achieve the goals through the following means: (i) The product lists will be rationalized and standardized through evidence-based reviews of the Essential Medicines List and Essential Medical Supplies List (EMSL). (ii) The creation of buffer stock will be used to address the problem of late starts in procurement procedures, pegged to the availability of funds in the annual budget of the ministry.
Other important background information of the project	The project aimed at and was successful in strengthening pharmaceutical and medical supplies procurement; regulation and management system need major investment.

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT CR
NO:4771-KE & 50340-KE
Reports and Financial Statements
For the financial year ended June 30, 2021

Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) The availability of essential medicines and medical supplies has improved in the public facilities. (ii) The project provided financing to commodities and has strengthened the logistics system.
Project duration	The project started on 30 th Sep 2010 and was to run until 30 th June 2018.

1.4 Bankers

The following are the bankers for the current year:

- I. CENTRAL BANK OF KENYA – (PROJECT ACCOUNT)
 ACCOUNT NAME: HEALTH SEC SUP PRJ AND HSSP 111-EMMS (KES)
 ACCOUNT: 1000187468
 P.O BOX 60000 - 0200
- II. COOPERATIVE BANK – DEPOSIT ACCOUNT
 ACCOUNT NAME: HEALTH SEC SUP PROJECT -KEMSA
 ACCOUNT: 02120134337900
 P.O. BOX 74956-00100

1.5 Auditors

The project is audited by the:
 Auditor - General
 P.O Box 30084 – 00100
 Nairobi.

1.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Dr. David Kariuki	Head, Directorate of policy, planning and Health care Financing.	MB chB, Msc	Project oversight and overall coordination of activities of the Directorate and Project Coordinator
Dr. Valeria Makory	Project Coordinator	MBChB, MSc Medical Statistics (Nbi), MSc Public Health (Kemri)	Project Coordinator - Kenya Health Sector Support Project
Alice Olango	Project Accountant	B.com, CPA(K)	Preparation of Financial reports as required from time to time e.g. Bank reconciliation, preparation of project F/S ,

Note: The Project operates within the MOH structures and systems and therefore involves multiple parties beyond the names provided above.

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT CR NO:4771-KE & 50340-KE

Reports and Financial Statements

For the financial year ended June 30, 2021

1.8 Summary of Overall Project Performance:

- The Project was able to achieve the targeted objectives as they were set in the work plan of previous years

1.9 Summary of Project Compliance:

- The project complied with applicable laws and regulations, and essential external financing agreements/covenants and this helped us to achieve the objectives set during its life.

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of Health and the Project Coordinator for KHSSP & HSSP III 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 June 30, 2021. This responsibility includes:

- (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project;
- (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.

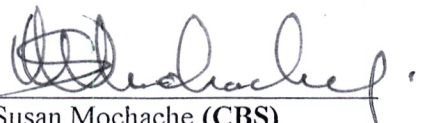
The Principal Secretary for the Ministry of Health and the Project Coordinator for KHSSP & HSSP III accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the Ministry of Health and the Project Coordinator for KHSSP & HSSP III 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 June 30, 2021, and of the Project's financial position as at that date. The Principal Secretary for Ministry of Health and the Project Coordinator for KHSSP & HSSP III 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 Coordinator for KHSSP & HSSP III 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 Coordinator for KHSSP on 30th September 2021 and signed by them.


Susan Mochache (CBS)

Principal Secretary

29/11/2021

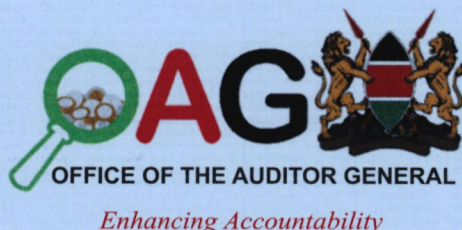

Dr. David Kariuki

Project Coordinator

19/11/21

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 KENYA HEALTH SECTOR SUPPORT (EMMS/KEMSA COMPONENT) PROJECT (IDA CREDIT NO.4771 AND CREDIT NO.50340 - KE) FOR THE YEAR ENDED 30 JUNE, 2021 – MINISTRY OF HEALTH AND KEMSA

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, gazetted 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 control, 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 Kenya Health Sector Support (EMMS) Project (IDA Credit No.4771 and Credit No.503400 – KE) set out on pages 1 to

Report of the Auditor-General on Kenya Health Sector Support (EMMS/KEMSA Component) Project (IDA Credit No.4771 and Credit No.50340 - KE) for the year ended 30 June 2021 – Ministry of Health and KEMSA

17, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and 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 addition, the special accounts statement present fairly the special accounts transactions and the closing balance has been reconciled with the books of accounts.

In my opinion, except for the effects 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 Kenya Health Sector Support (EMMS) Project (IDA Credit No.4771 and Credit No.503400 - KE) as at 30 June, 2021, 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 21 January, 2014 between the International Development Association (IDA) and the Republic of Kenya; and the Public Finance Act, 2012.

Basis for Qualified Opinion

Unresolved Prior Years Audit Matters

The following prior year audit matters are outstanding:

Receivables

The statement of financial assets and liabilities reflects Nil receivables balance as at 30 June, 2021 (2020 – Kshs.2,380,000). However, as previously reported, the receivables balance of Kshs.2,380,000 as at 30 June, 2020 relates to a double payment that was made to a company and for which no refund had been made as at 30 June, 2021.

In the circumstances, the accuracy and full recoverability of Kshs.2,380,000 and Nil receivables balance as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Health Sector Support (EMMS) Project (IDA Credit No.4771 and No.50340 - KE) 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 matter 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

Closure of Project Account

The Project effectiveness date was on 30 September, 2010 with expected end date of 31 December, 2016 which was extended to 30 June, 2018. However, the Management did not avail any evidence of either a formal request to the International Development Association (IDA) for Project extension beyond 30 June, 2018 or the Project closure report for audit review.

Consequently, any transactions from the Project account contravene financing agreement section iv part B (2) on withdrawal conditions; which states that the closing date in respect of the original credit, first additional credit and the second additional credit is December 31, 2016 (extended to 30 June, 2018).

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 Financing Agreement dated 30 September, 2010 between International Development Association and the Republic of Kenya, 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 Kenya Health Sector Support (EMMS) Project (IDA Credit No.4771 and No.50340 - KE), so far as appears from the examination of those records; and,
- iii. The financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or 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 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal 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:

Report of the Auditor-General on Kenya Health Sector Support (EMMS/KEMSA Component) Project (IDA Credit No. 4771 and Credit No. 50340 - KE) for the year ended 30 June 2021 – Ministry of Health and KEMSA

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

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 November, 2021

Report of the Auditor-General on Kenya Health Sector Support (EMMS/KEMSA Component) Project (IDA Credit No.4771 and Credit No.50340 - KE) for the year ended 30 June 2021 – Ministry of Health and KEMSA

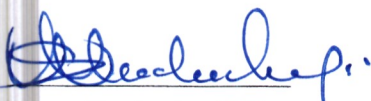
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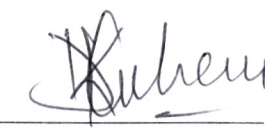
of the financial year ended June 30, 2021


4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

Notes	2020/21		2019/20 (Restated)		Cumulative to date Kshs
	Receipts and payments controlled by the entity Kshs	Receipts and Payments made by third parties Kshs	Receipts and payments controlled by the entity Kshs	Receipts and Payments made by third parties Kshs	
RECEIPTS					
Transfer from Govern- ment entities	9.1	-	-		2,002,419,177
Proceeds from domestic and foreign grants	9.2	-	-		1,617,199,500
Loan from external de- velopment partners	9.3	-			9,285,444,853
Miscellaneous receipts	9.4	-			548,603,390
Total receipts		-	-		13,453,666,920
PAYMENTS					
Purchase of goods and services	9.5		-		10,469,298,859
Transfers to other gov- ernment entities	9.6	-	133,617,037		2,977,988,061
TOTAL PAYMENTS			133,617,037		13,451,286,920
SURPLUS/DEFICIT FOR THE YEAR		-	(133,617,037)		2,380,000

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


Susan Mochache, CBS
Principal Secretary


Dr. David Kariuki
Project Coordinator


Project Accountant
Alice Olango
ICPAK NUMBER: 15259

29/11/2021
Date

19/11/21
Date

Date 19/11/2021

**KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT CR NO:4771-KE & 5034
KE**

Reports and Financial Statements

For the financial year ended June 30, 2021

5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2021


	Notes	2020/21 Kshs	2019/20 (Restated) Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9.8		
Receivables	9.9		2,380,000
TOTAL FINANCIAL AS- SETS			2,380,000

REPRESENTED BY:


Balance b/fwd	8.8	135,997,037
Surplus/deficit for the period		(133,617,037)
Balance C/fwd		2,380,000

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.
The financial statements were approved on _____ 2021 and signed by:

Note: Kshs 2,380,000 was erroneously paid twice to a supplier. The matter is with the legal office which is working to recover the double payment


Susan Mochache, CBS
Principal Secretary


Dr. David Kariuki
Project Coordinator


Project Accountant
Alice Olango
ICPAK NUMBER:

Date 29/11/2021

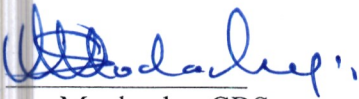
Date 19/11/21

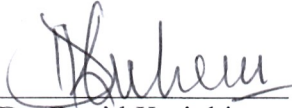
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Date 19/11/21


6. STATEMENT OF CASHFLOW FOR THE PERIOD 30 JUNE 2021

		2020/21	2019/20 RESTATED
	Note	KShs	KShs
Receipts for operating activities			
Transfer from Government entities	9.1	-	-
Proceeds from domestic and foreign grants			-
Miscellaneous receipts	9.4	-	-
Payments for operating activities			
Compensation of employees			-
Purchase of goods and services	9.5		-
Transfers to other government entities	9.6		-
Other grants and transfers			
Increase in receivables			-
Net cash flow from operating activities			-
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			-
Transfer to Royal Danish Embassy	9.6		(16,217,383)
Transfer to The National Treasury	9.6		(117,399,654)
NET INCREASE IN CASH AND CASH EQUIVALENT			-
Cash and cash equivalent at BEGINNING of the year			133,617,037
			Nil
Cash and cash equivalent at END of the year			

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 _____ 2021 and signed by:


 John Mochache, CBS
 Principal Secretary
 Date 29/11/2021


 Dr. David Kariuki
 Project Coordinator
 Date 19/11/21


 Alice Olango
 Project Accountant
 Date 19/11/2021
 ICPAK Member No 15259

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT CR NO:4771-KE & 50340-KE
Reports and Financial Statements
For the financial year ended June 30, 2021

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget a	Actual on Comparable basis b	Budget utilization variance c=a-b	% of utiliza- tion variance to final budg- et d=c/a%	Comments on Variance e=d-c
Receipts					
Transfer from Government entities	-				
Loan -Revenue - IDA	-				
Miscellaneous receipt	-				
Total Receipts	-				
Payments					
Purchase of goods and services	-				
Transfer to other Government entities	-				
Total Payments	-				

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



Susan Mochache, CBS
Principal Secretary



Dr. David Kariuki
Project Coordinator



Project Accountant
Alice Olango
ICPAK NUMBER:
15259

Date

19/11/21

Date

Date 19/11/2021

8. SIGNIFICANT ACCOUNTING POLICIES

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. 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 Government's standard chart of accounts. The cash basis of accounting recognizes transactions and events only when cash is received or paid out by the Project.

I. Recognition of revenue and expenses

The Project recognizes 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 recognizes 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 authorized public officers and/or institutions which had not been surrendered or accounted for at the end of the financial year.

IV. Pending bills

Pending bills consist of unpaid liabilities at the end of 30th June, 2021 arising from contracted goods or services during 30th June, 2021 or in past. 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 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 30th June, 2021 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.

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, 2021.

9. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

9.1 Receipts from Government of Kenya

These represent counterpart funding and other receipts from government as follows:

	2020/21	2019/20	Cumulative
	Kshs	Kshs	to-date
<i>Counterpart funding through Ministry of Health</i>			
Counterpart funds Quarter 1		-	-
Counterpart funds Quarter 2		-	-
Counterpart funds Quarter 3		-	-
Counterpart funds Quarter 4	-	-	2,002,419,177
	-	-	2,002,419,177

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT CR NO:4771-KE & 50340-KE
Reports and Financial Statements
For the financial year ended June 30, 2021

9.2 Proceeds from Domestic and Foreign Grants

During the 12 months to 30 June 2021 we received grants from donors as detailed in the table below:

Name of Donor	Date received (2019/20)	Amount received in donor currency	Grants received in cash(2018/19)	Grants received in cash (2018/19)	Grants received in kind	Total amount in Kshs
			Kshs	Kshs	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)						
		-			-	
Total						

9.3 Loan from External Development Partners

During the 12 months to 30 June 2021 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs		CUMULATIVE TO DATE
					FY 2020/21	FY 2019/20	
			Kshs	Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (Foreign Governments)							
Loans Received from Multilateral Donors (International Organizations)							
INTERNATIONAL DEVELOPMENT AGENCY		-	-	-		-	9,285,444,853
Total		-	-	-		-	9,285,444,853

Reports and Financial Statements

For the financial year ended June 30, 2021

9.4 Miscellaneous Receipts

	Receipts controlled by the entity in Cash Kshs	Receipts controlled by third parties Kshs	FY 2020/21 Kshs	FY 2019/20 Kshs	Cumulative to- date
Interest earned	-	-	-	-	36,706,258
Reversal	-	-	-	-	1,923,538
Error posting	-	-	-	-	350
Refund received	-	-	-	-	509,608,629
	-	-	-	-	
	-	-	-	-	548,603,390

9.5 Purchase of Goods and Services

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	2020/21 Kshs	2019/20 Kshs	Cumulative to-date
Utilities, supplies and services	-	-	-	-	10,159,665,920
Other operating expenses	-	-	-	-	309,632,938
	-	-	-	-	-
TOTAL	-	-	-	-	10,469,298,859

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSACOMPONENT CR NO:4771-KE & 50
Reports and Financial Statements
For the financial year ended June 30, 2021

9.6 Transfers to other government entities

During the 12 months to 30 June 2021, we transferred funds to reporting government entities as shown below:

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	Financial Year 2020/21 Kshs	Financial Year 2019/20 Restated Kshs	Cumulative To date Kshs
Transfers to National Government entities					
Ministry of Health - HSSF			-	-	1,098,872,338
Ministry of Health KEMSA SWAP		-			1,555,590,332
The National Treasury		-	-	117,399,654*	120,000,000
DANIDA		-	-	16,217,383*	73,908,356
TOTAL	-		-	133,617,037*	2,848,371,026

NOTE: *As at 30/6/2019 the closing Bank balance at CBK was Kshs 133,617,037 However, during the Financial Year 2019/20, on 10/07/2019 Kshs 16,217,383 was refunded back to Danida and this account was closed by The National Treasury and the balance of Kshs 117,399,654 transferred to The National Treasury on 08/05/2020

9.7 Fund movement C/Fwd.

	2020/21 Kshs	2019/20(Restated) Kshs
Fund balance b/forward		135,997,037
Receivables	NIL	(2,380,000)
Transfer to RDE		(16,217,383)
Transfer to Treasury)	NIL	(117,399,654)
Bal c/foward	NIL	NIL

	2020/21 Kshs	2019/20 Kshs
9.8 Bank Accounts		
Local Currency Accounts		
Central Bank of Kenya [A/c No. 1000187468]	NIL	NIL
Total local currency balances	NIL	NIL
Total bank account balances	NIL	NIL

9.9 Receivables

	2020/21	2019/20
	Kshs	Kshs
Receivables		2,380,000

The balance relates to a double payment that was made supplier M/s Hill convertors Ltd in June 2016 and for which the legal of office of the Ministry of Health is following-up on refund.

9.10 Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2021 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	KShs	KShs
(i) A/c Name [A/c No 02120134337900...]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	=	=
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	=	=

The Special Deposit Account(s) reconciliation statement has not been attached because there are no balances in the account

Reports and Financial Statements
For the financial year ended June 30, 2021

10. PROGRESS ON FOLLOW UP OF AUDITOR 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 person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Amount of Kshs 2,380,000 which double paid to a supplier	The matter is still being handled by the legal office	Mr Kanyi, Legal officer	Not resolved	


Susan Mochache, CBS
Principal Secretary

29/11/2021

Date



Dr. David Kariuki
Project Coordinator

19/11/21

Date

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities				-	
LOAN- Revenue - IDA			-	-	
Miscellaneous receipts				-	
Total Receipts					
Payments					
Purchase of goods and services			-	-	
Transfers to other government entities			-	-	
Total payments					

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT CR NO:4771-KE & 50340-KE
Reports and Financial Statements
For the financial year ended June 30, 2021

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Pay-able Con-tracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
		a	b	c	d=a-c		
Permanent Employees - Management							
1.							
2.							
3.							
Sub-Total							
Permanent Employees - Others							
4.							
5.							
6.							
Sub-Total							
Temporary employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

KENYA HEALTH SECTOR SUPPORT PROJECT-EMMS/KEMSA COMPONENT CR NO:4771-KE & 50340-KE
Reports and Financial Statements
For the financial year ended June 30, 2021

ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/2020 (a)	*Purchases/Additions in the Year (KShs) 2018/19 (b)	**Disposals in the Year (KShs) 2018/19 (c)	Closing Cost (KShs) 2021 (d)= (a)+ (b)- (c)
Land				
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings				
IT Equipment, Software and Other ICT Assets				
Other Machinery and equipment				
Heritage and cultural assets				
Tangible assets				
Total				

