

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY PAPERED	
DATE: 14 MAR 2023	DAY: TUESDAY
TABLED BY:	DEPUTY LEADER OF MAJORITY PARTY
CLERK-AT-THE-TABLE:	INZOFU MWALE

**THE AUDITOR-GENERAL**

**ON**

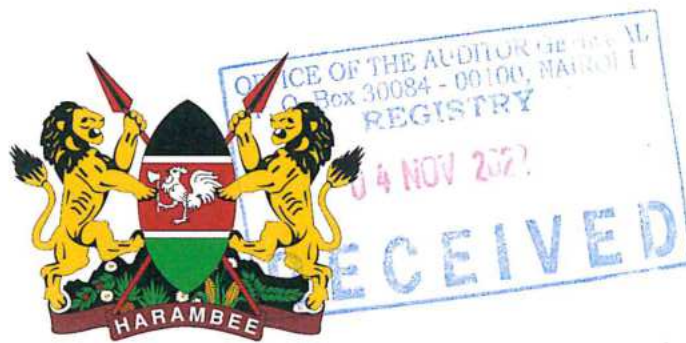
**HEALTH SECTOR SUPPORT PROJECT -  
SWAp SECRETARIAT - IDA CR NO. 4771 -  
KE AND CR. NO. 5367 - KE**

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

**MINISTRY OF HEALTH**







**KENYA HEALTH SECTOR SUPPORT PROJECT**

**SWAp SECRETARIAT**

**CREDIT NUMBER: 4771 – KE  
&  
CREDIT NUMBER: 5367- KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

***Kenya Health Sector Support Project – SWAp Secretariat  
Reports and Financial Statements  
For the financial year ended June 30, 2022***

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## **1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **1.1 Name and registered office**

**Name:** The Kenya health Sector Support Project – SWAp SECRETARIAT.

**Objective:** The key objective of the project is to reduce health inequalities and to reverse the downward trend in the health of Kenyan people.

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

The address of its registered office is Ministry of Health  
P.O. Box 30016-00100 Nairobi.

The project is based at the National Level. 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, Sub District Hospitals and the other higher levels

**Contacts:** The following are the project contacts

Telephone: (254) -020-2717077

E-mail: ps@health.go.ke

Website: www.health.go.ke

### **1.2 Project Information**

Project Start Date:	The project start date is 30 <sup>th</sup> September, 2010
Project End Date:	The project end date is 30 <sup>th</sup> June, 2018
Project Manager:	The project manager is Dr. David Kariuki
Project Sponsor:	The project sponsor is Dr. Gandham N.V Ramana

**Kenya Health Sector Support Project – SWAp Secretariat**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Health.
Project number	CR – 4771 –KE & CR-5367-KE
Strategic goals of the project	The strategic goals of the project were as follows: (i) To ensure an improved Health services to the Kenyan population especially the poor. (ii) To reduce Health inequity
Achievement of strategic goals	The project management managed to achieve the goals through the following means: (i) By improving health services and strengthening systems. (ii) Providing funds to NHIF to pay for the poor. (iii) Improving referral systems. (iv) Improving environmental Health systems. (v) Surveys on household service delivery indicators as per WB Requirements
Other important background information of the project	The project operated within a sector wide approach. The foundation is laid down in the National Health Sector Strategic Plan 2005-2012.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas The project initiated health subsidy through NHIF: (i) The Health of the Kenyan people has improved especially the large population of the Kenyan people (poor) can now access medical attention for free. (ii) The project has provided financing to commodities and has strengthened the logistics system. (iii) The project facilitated the self-autonomy of the health facilities (iv) The project was responsible for the Capitalization of Kemsas which by the time of closure had a revolving fund
Project duration	The project started on 30 <sup>th</sup> September 2010 and is expected UP TO 30 <sup>th</sup> June 2018.

#### **1.4 Bankers**

The following are the bankers for the current year: (Both Project Account and Deposit account)

Co-operative Bank  
Ukulima Cooperative  
P.O. Box 74956-00100  
Nairobi

#### **1.5 Auditors**

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



**Kenya Health Sector Support Project – SWAp Secretariat  
Reports and Financial Statements  
For the financial year ended June 30, 2022**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.6 Roles and Responsibilities**

List of the different people who are working on the project.

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
Alice Olango	Project Accountant	Bcom, CPA(K)	Preparation of Financial reports as required from time to time e.g. IFR, Bank reconciliation, exchequer requisition, Vote book , preparation of project F/S , responding to Audit issues etc.

**1.7 Funding summary**

The original credit IDA 4771 had three components i.e. HSSF, EMMS and SWAp Non Pool. So far the Government has secured two additional credits i.e. IDA 5034 and 81623. Each component has been treated as a separate entity. Under SWAp Non pool, the Ministry of Health has so far received the following amount since inception.

Source of funds	Donor Commitment-		Amount received to date – (30 <sup>th</sup> June 2022)		Undrawn balance to date (30th June 2022)	
IDA	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
IDA - 4771	24,582,682	2,067,872,262	24,582,682	2,689,973,045	-	-
IDA - 5367	41,000,000	4,100,000,000	36,546,557	4,276,572,483	4,453,443	445,344,300
<b>Total</b>	<b>65,582,682</b>	<b>6,167,872,262</b>	<b>61,129,239</b>	<b>6,966,545,528</b>	<b>4,453,443</b>	<b>445,344,300</b>

**1.8 Summary of Overall Project Performance:**

- Over ambitious work plan
- The Project was able to achieve the targeted objectives as they were set in the work plan of 2017/2018.

**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.



## **2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Principal Secretary for the Ministry of Health and the Project Coordinator for Kenya Health Sector Support Project – SWAp Secretariat 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 June 30, 2022. 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 Kenya Health Sector Support Project – SWAp Secretariat 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 Kenya Health Sector Support Project – SWAp Secretariat 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, 2022, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of Health and the Project Coordinator for Kenya Health Sector Support project – SWAp Secretariat 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 Kenya Health Sector Support project – SWAp Secretariat 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 Kenya Health Sector Support project – SWAp Secretariat on 25/10 2022 and signed by them.



**Susan Mochache, CBS**  
**Principal Secretary**



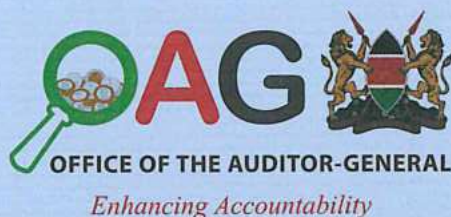
**Dr. David Kariuki**  
**Project Coordinator**





# 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 HEALTH SECTOR SUPPORT PROJECT - SWAp SECRETARIAT - IDA CR NO. 4771 - KE AND CR. NO. 5367 - KE FOR THE YEAR ENDED 30 JUNE, 2022 - MINISTRY OF HEALTH**

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### **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**

#### **Opinion**

I have audited the accompanying financial statements of Health Sector Support Project - SWAp Secretariat - IDA Cr No. 4771 - KE and Cr. No. 5367-KE for the year ended 30 June, 2022 - Ministry of Health set out on pages 1 to 14, which comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and

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*Report of the Auditor-General on Health Sector Support Project - SWAp Secretariat - IDA Cr No. 4771 - KE and Cr. No. 5367 - KE for the year ended 30 June, 2022 - Ministry of Health*



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 Health Sector Support Project - SWAp Secretariat - IDA Cr No. 4771 - KE and Cr. No. 5367 - 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 (Cash Basis) and comply with the Public Finance Management Act, 2012 and with the Financing Agreement dated 10 February, 2012 and 21 January, 2014 between International Development Association and the Republic of Kenya.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Health Sector Support Project - SWAp Secretariat - IDA Cr No. 4771 - KE and Cr. No. 5367 - 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 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, 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 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 Agreements dated 10 February, 2012 and 21 January, 2014, 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 (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 controls, risk management and overall 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 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 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 judgment 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 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**

**11 November, 2022**

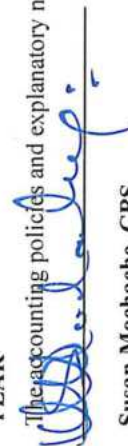


**Kenya Health Sector Support Project – SWAp Secretariat  
Reports and Financial Statements  
For the financial year ended June 30, 2022**


**4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022**

	Notes	2021/22		2020/21		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	Payments made by third parties Kshs	
<b>RECEIPTS</b>						
Loan from external development partners	9.2	-	-	-	-	6,586,234,016
Miscellaneous receipts	9.3	-	89,278,401	-	-	380,311,512
<b>Total receipts</b>		-	89,278,401	-	-	<b>6,966,545,528</b>
<b>PAYMENTS</b>						
Compensation of employees	9.4	-	-	-	-	20,307,734
Purchase of goods and services	9.5	84,505,980		170,560		1,963,312,593
Acquisition of non-financial assets	9.6	-		-	-	360,659,998
Transfers to other government entities	9.7	293,950,741	-	-	-	4,622,434,803
<b>TOTAL PAYMENTS</b>		<b>378,456,721</b>	-	<b>170,560</b>	-	<b>6,966,545,528</b>
<b>SURPLUS/DEFICIT FOR THE YEAR</b>		<b>(289,178,320)</b>		<b>(170,560)</b>		-

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

  
Susan Mochache, CBS  
Principal Secretary  
Date: 25/10/22

  
Dr. David Kariuki  
Project Coordinator  
Date: 25/10/22

  
Alice Olango  
Project Accountant  
Iepak No. 15259  
Date: 25/10/2022



*Kenya Health Sector Support Project – SWAp Secretariat  
Reports and Financial Statements  
For the financial year ended June 30, 2022*

**5. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2022**

	Notes	2021/22 Kshs	2020/21 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	9.8 A	-	289,178,320
Imprests and Advances	9.8 C		-
<b>TOTAL FINANCIAL ASSETS</b>		<b>=</b>	<b><u>289,178,320</u></b>
<b>REPRESENTED BY:</b>			
Funds Balance B/F	9.8B	289,178,320	289,348,880
Surplus/Deficit for the year		(289,178,320)	(170,560)
<b>NET FINANCIAL POSITION</b>		<b>-</b>	<b><u>289,178,320</u></b>

**Note:.**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on \_\_\_\_\_ 2022 and signed by:



Susan Mochache, CBS

Principal Secretary

Date



Dr. David Kariuki

Project Coordinator

Date

25/10/22



Alice Olango

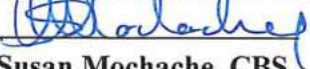
Project Accountant

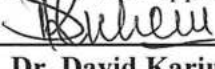
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Date 25/10/2022


**6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE, 2022**

	Notes	2021/22 Kshs	2020/21 Kshs
<b>Receipts for operating income</b>			
Miscellaneous receipts	9.3	89,278,401	-
<b>Payments for operating expenses</b>			
Compensation of employees	9.4		-
Purchase of goods and services	9.5	(84,505,980)	(176,560)
Transfers to other government entities	9.7	(293,950,741)	
<b>Adjusted for:</b>			
Decrease/(Increase) in Receivables		-	170,080
<b>Net cash flow from operating activities</b>		<b>(289,178,320)</b>	<b>(480)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	9.6	-	-
<b>Net cash flows from Investing Activities</b>		<b>-</b>	<b>-</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Loan from external development partners	9.2	-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(289,178,320)</b>	<b>(480)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>289,178,320</b>	<b>289,178,800</b>
<b>Cash and cash equivalent at END of the year</b>		<b>-</b>	<b>289,178,320</b>

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 \_\_\_\_\_ 2022 and signed by:

  
Susan Mochache, CBS  
Principal Secretary

  
Dr. David Kariuki  
Project Coordinator

  
Alice Olango  
Project Accountant  
ICPAK NUMBER: 15289

Date

Date

Date 25/10/2022


**Kenya Health Sector Support Project – SWAp Secretariat**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**


**7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE, 2022**

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Variance e=d-c	% of Variance f=e/c %
<b>Receipts</b>						
Proceeds from borrowings	-	-	-			
Miscellaneous receipts	-	-	-	-	-	-
<b>Total Receipts</b>	-	-	-	-	-	-
<b>Payments</b>						
Capital transfers to non – profit organization and associations	-	-	-	-	-	-
<b>Interest</b>	-	-	-	-	-	-
<b>Total Payments</b>	-	-	-	-	-	-

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

  
**Susan Mochache, CBS**  
**Principal Secretary**

  
**Dr. David Kariuki**  
**Project Coordinator**

  
**Alice Olango**  
**Project Accountant**  
**ICPAK No. 15259**

Date

25/10/22  
Date

25/10/2022  
Date



## **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 recognises transactions and events only when cash is received or paid out by the Project.

### **8.2 Reporting Entity**

The financial statements are for the Project Kenya Health Sector Support Project – SWAp Secretariat under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

#### **8.2.1 Reporting Currency**

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

### **8.3 Significant Accounting Policies**

#### **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. Donations and Grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

#### **iii. Proceeds from Borrowing**

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

**Significant Accounting Policies (Continued)**

**iv. Undrawn External Assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

**v. Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**vi. In-kind donations**

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

**vii. Cash and cash equivalents**

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

**viii. Accounts receivables**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**ix. Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

**Significant Accounting Policies (Continued)**

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

**x. Contingent Assets**

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

**xi. Pending Bills**

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

**xii. 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.

**xiii. Third Party Payments**

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



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**Significant Accounts Policies (Continued)**

**xiv. Exchange Rate Difference**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

**xv. 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.

**xvi. 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.

**xvii. Errors**

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

**9.0 NOTES TO THE FINANCIAL STATEMENTS**

**9.2 Loan from External Development Partners**

During the 12 months to 30 June 2022, 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	
					FY 2021/22	FY 2020/21
			Kshs	Kshs	Kshs	Kshs
<b>Loans Received from Multilateral Donors (International Organizations)</b>						
IDA - WORLD BANK	-		-		-	-
Receipt made by 3 <sup>rd</sup> Parties					-	-
<b>Total</b>			0	0	0	-

**9.3 Miscellaneous Receipts**

	Receipts controlled by the entity in Cash	Receipts controlled by third parties	FY 2021/22	FY 2020/21	Cumulative to - date
	Kshs	Kshs	Kshs	Kshs	
Other receipts not classified elsewhere-refund from KMTTC	-	89,278,401	-	-	290,983,315
	-	-	-	-	49,796
	-	<b>89,278,401</b>	-	-	<b>289,033,111</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9.4 Compensation of Employees**

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	2021/22 Kshs	2020/21 Kshs	Cumulative to-date
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	20,108,714
Compulsory national health insurance schemes	-	-	-	-	199,020
<b>TOTAL</b>	-	-	-	-	<b>20,307,734</b>

**9.5 PURCHASE OF GOODS AND SERVICES**

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	2021/22 Kshs	2020/21 Kshs	Cumulative to-date
Communication, supplies and services	24,306,000	-	-	-	74,485,423
Domestic travel and subsistence	26,561,000	-	-	170,080	800,607,851
Foreign travel and subsistence	-	-	-	-	23,943,918
Professional fee	-	-	-	-	486,561,779
Printing, advertising and information supplies & services	22,173,500	-	-	-	325,607,946
Training	-	-	-	-	37,176,581
Hospitality supplies and services	-	-	-	-	174,048,047
Purchase of Furniture	2,033,000	-	-	-	2,033,000
Other operating expenses	2,175,000	-	-	-	18,376,348
Vehicle and other Transport Equipment	7,238,400	-	-	-	19,795,980
Bank charges	19080	-	-	480	329,380
Exchange rate losses/gains (net)	-	-	-	-	168,200
<b>TOTAL</b>	<b>84,505,980</b>	-	-	<b>170,560</b>	<b>1,963,134,453</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9.6 Acquisition of Non-Financial Assets**

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	2021/22 Kshs	2020/21 Kshs	Cumulative to-date
Purchase of vehicles & other transport equipment	-	-	-	-	329,187,923
Purchase of office furniture & general equipment	-	-	-	-	31,472,075
	-	-	-	-	360,659,998

**9.7 Transfers to other government entities**

During the 12 months to 30 June 2022, 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 2021/22 Kshs	Financial Year 2020/21 Kshs	Cumulative To date Kshs
<b>Transfers to National Government entities</b>					
Ministry of Health - NHIF	-	-		-	1,452,155,106
K.S.G	-	-	-	-	489,396,353
KEMSA	-	-	-	-	929,897,818
N.C.P.D	-	-	-	-	234,543,580
AMREF	-	-	-	-	287,268,370
Ministry of Health - K.M.T.C	-	-	-	=	548,896,637
U.N CHILDREN'S FUND	-	-	-	=	386,326,198
DONORS	280,855,595	-	280,855,595	=	280,855,595
National Treasury	13,095,146	-	13,095,146	=	13,095,146
<b>TOTALS</b>					<u>4,622,434,803</u>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9.8B Funds Balance B/Fwd.**

	2021/22	2020/21 Kshs
Fund Balance b/f	289,178,320	289,348,880
Miscellaneous Receipts	-	-
Surplus/deficit	(289,178,320)	(170,560)
<b>Balance c/d</b>	<b>-</b>	<b>289,178,320</b>

	2021/22 Kshs	2019/20 Kshs
<b>9.8A Bank Accounts</b>		

**Local Currency Accounts**

Co-operative Bank of Kenya [A/c No 01141134282300]

Others (*specify*)

**Total local currency balances**

**Total bank account balances**

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2022 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**

	2021/22 KShs	2020/21 KShs
<b>(i) A/C Name [A/c No 02120134338000]</b>		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>
<b>(ii) A/c Name [A/c No.....]</b>		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9.8C Outstanding Imprests and Advances**

Name of Officer or Institution	Imprest No.	Amount Taken	Date Taken	Due Date of Surrender	Amount Surrendered	Balance	
						2022	2021
<b>Total</b>							



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**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 period 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)
2	Lack of approved Budget	Not needed because no new activity was undertaken	Dr Kariuki, Project Manager	Resolved	
1	Irregular Project Extension	There was a grace period of 4 months to complete operations	Dr Valeria, Project coordinator	Resolved	

  
**Susan Mochache, CBS**  
**Principal Secretary**

Date

  
**Dr. David Kariuki**  
**Project Coordinator**

Date

25/10/22

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**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	<b>Final Budget</b> <b>a</b>	<b>Actual on Comparable Basis</b> <b>b</b>	<b>Budget Utilization Variance</b> <b>c=a-b</b>	<b>% of Utilization Variance to Final Budget</b> <b>d=c/a %</b>	<b>Comments on Variance</b>
<b>RECEIPTS DURING THE YEAR/PERIOD</b>					
Government of Kenya	-	-	-		
External financing					
Miscellaneous receipts		-	-	-	-
<b>Total receipts</b>		-	-		
<b>PAYMENTS DURING THE YEAR/PERIOD</b>					
Capital transfers to non – profit organization and associations					
<b>Total payments</b>					

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2022	Outstanding Balance 2021	Comments
	a	b	c	d=a-c		
<b>Construction of buildings</b>						
1.						
2.						
3.						
<b>Sub-Total</b>						
<b>Construction of civil works</b>						
4.						
5.						
6.						
<b>Sub-Total</b>						
<b>Supply of goods</b>						
7.						
8.						
9.						
<b>Sub-Total</b>						
<b>Supply of services</b>						
10.						
11.						
12.						
<b>Sub-Total</b>						
<b>Grand Total</b>						



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**ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2022	Outstanding Balance 2021	Comments
		a	b	c	d=a-c		
<b>Permanent Employees - Management</b>							
1.							
2.							
3.							
<b>Sub-Total</b>							
<b>Permanent Employees - Others</b>							
4.							
5.							
6.							
<b>Sub-Total</b>							
<b>Temporary employees</b>							
7.							
8.							
9.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
10.							
11.							
12.							
<b>Sub-Total</b>							
<b>Grand Total</b>							

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*Statement of Budget Performance*  
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**ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2020	Comments
		a	b	c	d=a-c		
<b>Amounts due to National Govt Entities</b>							
1.							
2.							
3.							
<b>Sub-Total</b>							
<b>Amounts due to County Govt Entities</b>							
4.							
5.							
6.							
<b>Sub-Total</b>							
<b>Amounts due to Third Parties</b>							
7.							
8.							
9.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
10.							
11.							
12.							
<b>Sub-Total</b>							
<b>Grand Total</b>							

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**ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Opening Cost (Kshs)	*Purchases/Additions in the Year (Kshs) 2021/22 (b)	Transfer to Ministry (Kshs) 2020/21 (c)	Closing Cost (Kshs) (d)= (a)+ (b)-(c)
Office equipment, furniture and fittings	2,430,400	-	2,430,400	-
ICT Equipment, Software and Other ICT Assets	29,041,675	-	29,041,675	-
Other Machinery and Equipment	329,187,923	-	329,187,923	-
Intangible assets	-	-	-	-
<b>Total</b>	<b>360,659,998</b>	<b>-</b>	<b>360,659,998</b>	<b>-</b>



