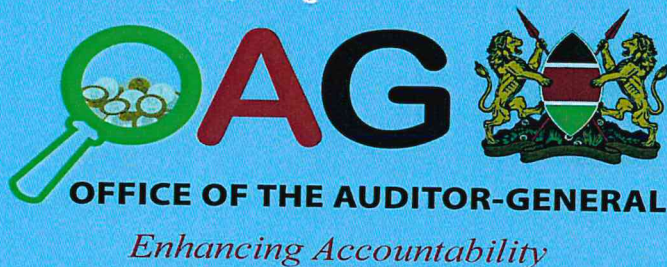



REPUBLIC OF KENYA



 REPORT THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	02 DEC 2021
	DAY: <u>Thurs PM.</u>
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THE AUDITOR-GENERAL

ON

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

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

MINISTRY OF HEALTH



Project Name

**SUPPORT OF THE HEALTH CARE FINANCING STRATEGY –REPRODUCTIVE HEALTH -
OUTPUT BASED APPROACH**

Implementing Entity

MINISTRY OF HEALTH

PROJECT GRANT/CREDIT NUMBER

BMZ No. KENYA 2010 65 853

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name

Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach
Project (OBA)

Objective

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

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

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

Address

PricewaterhouseCoopers Limited PwC Tower, Waiyaki Way/Chiromo Road, Westlands
Nairobi, Kenya. Tel: +254 (20) 285 5000

Contacts:

The following are the project contacts

Telephone: (254) 020 2855000

E-mail: simon.mutinda@ke.pwc.com

Website: www.obakenya.org

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Project Information

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

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Health.
Project number	BMZ No. KENYA 2010 65 853
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> i) Offer quality reproductive health care services for economically disadvantaged populations by means of a voucher system; and ii) Contribute to a reduction of both maternal and infant mortality rates in Kenya.
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> i) Contracting Voucher Service Providers (VSPs) and Voucher Service Distributors (VSDs); ii) Developing and implementing a marketing and distribution mechanism for the vouchers/smart cards to the target population; iii) Developing and implementing a system for claims processing; iv) Collection and processing of claims; and v) Monitoring and supervising quality of the services provided.

Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project
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Other important background information of the project	The Output Based approach (OBA) reproductive health programme is intended to contribute to a reduction in both maternal and infant mortality rates by improving access to and utilisation of reproductive health services by the economically disadvantaged populations. Under Phase 1 (November 2005 to October 2008) OBA was financed through an agreement between the GoK and KfW with an overall budget of € 7.054m. The programme was piloted in three rural regions (Kisumu, Kiambu, and Kitui) and in two urban sites in Nairobi (Viwandani and Korogocho). Phase 2 was financed through a new financial agreement that was signed by GoK and KfW in May 2008. Phase 2 started in November 2008 with a budget of €10m. Under Phase 3 (November 2011 to October 2014), the programme was expanded to new regions and currently covers Kitui, Kilifi and Kisumu (entire counties), Nairobi (Korogocho and Viwandani) and Kiambu (sections of the county). Phase 4 of the program started in February 2015 covering the same regions as Phase 4.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: i) Reduce child mortality rate: Infant mortality and under-five mortality rates were at 52 deaths per 1,000 live births and 74 deaths per 1,000 live births respectively at 2012 (Kenya MDGs status Report); ii) Improve maternal mortality ratio: maternal mortality ratio was at 362 per 100,000 live births in 2014 (Kenya Demographic and Health Survey, 2014); iii) Improve access to long-acting family planning services: contraceptive prevalence rate was at 46 % in 2012 (Kenya MDGs status Report); iv) Support gender violence recovery survivors to access services at accredited health facilities.
Project duration	The project started in November 2005 and ran up to March 2018. Since the project has ended there were no program related activities during the 2020/2021 financial year. The project was phased as follows; i. Phase I-November 2005-October 2008 ii. Phase II-November 2008-October 2011 iii. Phase III-November 2011-October 2014 iv. Phase IV-February 2015-January 2017

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year:

- i) Standard Chartered Bank - Active
- ii) Kenya Commercial Bank - Closed
- iii) Equity Bank - Closed

1.5 Auditors

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

1.6 Roles and Responsibilities

The list below outlines the project manager and all the key stakeholders who were involved in the project.

The table below shows their roles, positions and contact information

Names	Title designation	Key Qualifications	Responsibilities
Julian Lenk	Program Manager - Health, KfW	Medical Professional Medical school of Berlin, Charité in 2008	Management of the donor aspects of the programme; providing linkage between the donor and the PMU & VMA; coordinating funding of the programme from the donor side.
Stephen Kaboro	Program Manager, PMU, Ministry of Health	Health Economist Msc Health Economics University of Nairobi 215	Management of the MoH functions of the programme; oversight over the Voucher Management Agency; overall management of programme.
Moses Ranji	Project Accountant, PMU, Ministry of Health	Accountant BA Finance KCA University	Leading the finance and accounting aspects of the programme at the Ministry of Health.
Simon Mutinda	Project Director, Voucher Management Agency	Project Management Expert with over 19 years' experience in Project Management	Overall management of the VMA functions including contracting of VSPs, targeting strategy

**Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project
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For the financial year ended June 30, 2021

Names	Title designation	Key Qualifications	Responsibilities
		Bsc Food Science Egerton University 1998 ACCA UK	and distribution of vouchers, claims processing and reporting.
Rose Mutunga	Project Manager, Voucher Management Agency	Fund Management expert Master of Business and Administration (Finance, Accounting, Management) University of Nairobi 1988	Support to the Project Director in the management of the VMA functions including contracting of VSPs, targeting strategy and distribution of vouchers, claims processing and reporting.
Alex Nyaga	Finance Manager, Voucher Management Agency	Fund Management expert over 18 years of experience Bachelor of Arts, (Economic); Kenyatta University CPA K	Leading the finance and accounting aspects of the programme at the VMA and providing oversight of the project.

1.7 Funding summary

Phase I (Oct 2005- Oct 2008) with a budget of € 6.5 million (KfW);

Phase II (Nov 2008- Oct 2011) budgeted at €10.00 million (KfW) and € 0.3 million (GoK); and

Phase III (Nov 2011-Oct 2014) budgeted at €13.7 million (KfW) and €1.5 million (GoK).

Phase IV (April 2015 – January 2018) – Phase IV was to be funded from the unutilised balances from the GoK and donor commitments made in the previous Phases.

The cumulative commitment by the donor from Phase I - IV was Euro 30.2 million.

The total amount received by the project by 30 June 2021 was Euro 29,144,624 (equivalent to Kshs 3,737,113,129); therefore, the undrawn balance as at 30 June 2021 was Euro 1,055,376 (equivalent to Kshs 135,327,171). The table below shows the funding status:

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment – cumulative (Phase I - III)		Amount received to date – (30 06 2021)		Undrawn balance to date (30 06 2021)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	Euros(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
KfW	30,200,000	3,872,440,300		29,144,624		1,055,376
Total	30,200,000	3,872,440,300		29,144,624		1,055,376
						135,327,171
						135,327,171

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2021)		Cumulative Amount paid to date – (30 th June 2021)		Unutilised balance to date (30th June 2021)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B')	(B')	(A)-(B)	(A')-(B')
(i) Grant						
KfW	29,144,624	3,177,174,979		3,278,666,021	(791,498)	(101,491,042)
Miscellaneous receipts	940,404	102,517,974			799,502	102,517,344
Total	30,085,028	3,279,692,323		3,278,666,021	8,004	1,026,932

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year and for cumulative to-date,	The committed funding by KfW up to 30 June 2014 was Euro 30.2 million. As at 30 June 2021, the undrawn balance was Euro 1,055,376.
Physical progress based on outputs, outcomes and impacts since project commencement,	<ul style="list-style-type: none"> i. Increased the contracted VSPs from 54 in Phase 1 to 299 in Phase 4; ii. Over 400,000 successful deliveries catered for by the OBA program; iii. Introduction of smart card technology as an alternative to paper-based vouchers which has enhanced the speed of claims processing and improved monitoring and reporting; iv. Improved access of health services by the poor and empowering OBA clients to exercise choice; v. Money earned by VSPs is spent to improve quality of services hence strengthening the health system; vi. System building – accreditation of service providers, quality management, transparent and fast processing of claims;
Comment on value-for-money achievements,	The VMA has implemented strategies aimed at reducing the overhead costs of the project. In the year 2020/21 the project did not have any operational costs.
Absorption rate for each year since the commencement of the project.	The fund received a total of 3,279,692,323 and absorbed 3,278,666,021 which is 99%
List the implementation challenges and recommended way forward	<ul style="list-style-type: none"> i. Slow uptake of services in some regions – this was addressed through vigorous marketing and collaborating with the administrative units, churches, community Health Workers, etc.; ii. Ineligible individuals trying to access the voucher – this was addressed through a robust targeting strategy and utilisation of innovative eligibility identification tools; iii. Transition from Phase III to IV – the Ministry of Health granted a No-Cost-Extension to facilitate continuation of services with minimal disruption.

1.9 Summary of Project Compliance:

Include significant cases of non-compliance with applicable laws and regulations, and essential	There have been no cases, significant or otherwise, of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.
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***Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project
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external financing agreements/covenants	
Include consequences suffered on account of non-compliance or likely to be suffered	N/A
Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance	N/A

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

There were no project activities in the year under review

**3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING
(Two-to-three pages)**

There were no project activities in the year under review

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of Health and the Project Coordinator for Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach project 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 (v) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the Ministry of Health and the Project Coordinator for Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach project 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 Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach project 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/period ended June 30, 2021, and of the Project’s financial position as at that date. The Principal Secretary for the Ministry of Health and the Project Coordinator for Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach project 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.

**Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project
(Credit BMZ No. Kenya 201065853)**

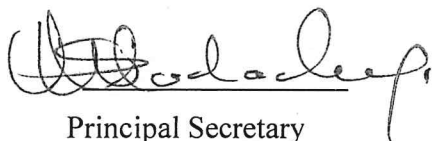
Reports and Financial Statements

For the financial year ended June 30, 2021

The Principal Secretary for the Ministry of Health and the Project Coordinator for Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach project 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/period 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 Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach project on _____ 2021 and signed by them.



Principal Secretary

Date



Project Coordinator

Simon Mutinda

Date 28th October 2021



Project Accountant

Alex Nyaga

Date 28th October 2021

ICPAK Member No:8930

REPUBLIC OF KENYA

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Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SUPPORT OF THE HEALTH CARE FINANCING STRATEGY – REPRODUCTIVE HEALTH - OUTPUT BASED APPROACH PROJECT (CREDIT BMZ NO. KENYA 201065853) FOR THE YEAR ENDED 30 JUNE, 2021 – MINISTRY OF HEALTH

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 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 Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project (Credit BMZ No. Kenya 201065853) for the year ended 30 June, 2021 – Ministry of Health set out on pages 1 to 26, which comprise the statement of financial assets 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 my opinion, the financial statements present fairly, in all material respects, the financial position of Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project (Credit BMZ No. Kenya 201065853) as at 30 June, 2021, 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 Financing Agreement dated 07 October, 2011 between KfW (German Development Bank) Frankfurt am Main and the Republic of Kenya; and the Public Finance Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project (Credit BMZ No. Kenya 201065853) 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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that,

nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregular Legal Fees Expenditure

The statement of receipts and payments reflects purchase of goods and services balance of Kshs.703,993 (2020 – Kshs.287,032) as disclosed at Note 6 to the financial statements. Included under the expenditure is special material and services of Kshs.667,484 explained to be legal expenses. However, the procurement documents to engage the law firm including the contract, advertisements shortlisting, minutes, evaluation report and prequalification list were not provided for audit verification. This is contrary section 44(2) of the Public Procurement and Asset Disposal Act, 2015 which requires accounting officer (d) to ensure proper documentation of procurement proceedings and safe custody of all procurement records in accordance with the Act and (g) to ensure the procurement and asset disposal process of the public entity shall comply with this Act.

To this extent, the Project is in breach of the law.

2. Closure of the Programme Account

The project commenced in November, 2005 and ended in January, 2017. However, as at 30 June, 2021 the project account had not been closed and no extension has been granted. Therefore, the expenditure from the project account are continuously being incurred without approval from the donor. This is contrary to Article 2 of the Financing Agreement section 2.2 which states that KfW shall have the right to refuse to make disbursements after December, 2015.

To this extent, the Project is in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 07 October, 2011, 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 Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project (Credit BMZ No. Kenya 201065853), 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 liquidate 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 entity 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:

- 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 ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue as a going concern or 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

24 November, 2021

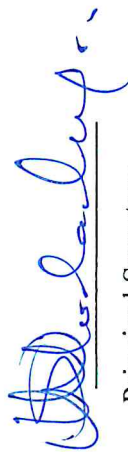
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

	Note	FY 2020/2021		FY 2019/2020		Cumulative to Date	
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total
RECEIPTS	Note	Kshs			Kshs		Kshs
Transfer from Government entities	1	-		-			-
Proceeds from domestic and foreign grants	2			-	-		3,177,174,979
Loan from external development partners	3	-		-	-		-
Miscellaneous receipts	4	776,130		776,130	429,373		102,517,344
Total receipts		776,130	-	776,130	429,373	-	3,279,692,323
PAYMENTS							
Compensation of Employees	5	-		-	-		137,174,679
Purchase of goods and services	6	703,993		703,993	287,032		3,055,809,758
Acquisition of Non-Financial Assets	8	-		-	-		71,986,774
Transfers to other government entities	9						
Other grants and transfers and payments	10	13,694,180					13,694,180
TOTAL PAYMENTS		14,398,173		14,398,173	287,032		3,278,666,021

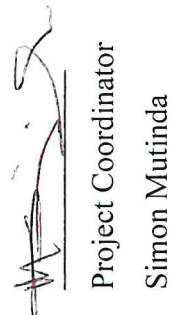
Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project (Credit BMZ No. Kenya 201065853)
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	Note	FY 2020/2021		FY 2019/2020		Cumulative to Date	
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total
RECEIPTS		Kshs			Kshs		
		(13,622,043)	0	(13,622,043)	142,341	0	142,341
SURPLUS/DEFICIT FOR THE YEAR	Note						Kshs
							1,026,932

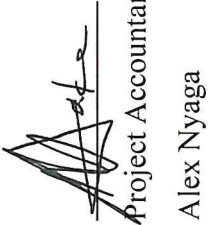
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


Principal Secretary

Date


Project Coordinator
Simon Mutinda

Date 28th October 2021


Project Accountant
Alex Nyaga

Date 28th October 2021

ICPAK Member No:8930

(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)

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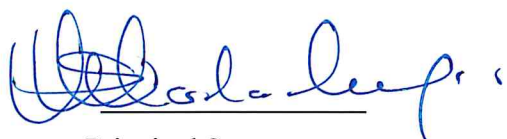
Reports and Financial Statements

For the financial year ended June 30, 2021

7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	FY 2020/2021	FY 2019/2020
FINANCIAL ASSETS		Kshs	Kshs
Cash and Cash Equivalents		-	-
Bank Balances	11A	1,026,932	14,648,976
Cash Balances	11B	-	-
Cash Equivalents (short-term deposits)	11C	-	-
Total Cash and Cash Equivalents		1,026,932	14,648,976
Accounts Receivable	13		
TOTAL FINANCIAL ASSETS			
REPRESENTED BY:			
Fund balance b/fwd	14	14,648,976	14,506,635
Prior year adjustments	15		
Surplus/Deficit for the year		(13,622,043)	142,341
NET FINANCIAL POSITION		1,026,932	14,648,976

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:



Principal Secretary

Date



Project Coordinator

Simon Mutinda

Date 28th October 2021



Project Accountant

Alex Nyaga

Date 28th October 2021

ICPAK Member No:8930

8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

	Notes	FY 2020/2021	FY 2019/2020
Receipts for operating income		Kshs	Kshs
Transfer from Government entities	1	-	-
Proceeds from domestic and foreign grants	2		
Miscellaneous /other receipts	4	776,130	429,373
Payments for operating expenses			
Compensation of Employees	5	-	-
Purchase of goods and services	6	(703,993)	(287,032)
Social security benefits	7		
Transfers to other government entities	9		
Other grants and transfers	10	(13,694,180)	
Adjustments during the year			
Prior Year Adjustments	15		
Decrease/(Increase) in Accounts Receivable	16		
Increase/(Decrease) in Accounts Payable:	17		
Net cash flow from operating activities			
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8		
Net cash flows from Investing Activities			
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3		
Net cash flow from financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalent at BEGINNING of the year	11	14,648,976	4,506,635
Cash and cash equivalent at END of the year	11	1,026,932	14,648,976

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:

Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project
(Credit BMZ No. Kenya 201065853)

Reports and Financial Statements

For the financial year ended June 30, 2021



Principal Secretary

Date



Project Coordinator

Simon Mutinda

Date 28th October 2021



Project Accountant

Alex Nyaga

Date 28th October 2021

ICPAK Member No:8930

Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project (Credit BMZ No. Kenya 201065853)
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9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Transfer from Government entities						
Proceeds from domestic and foreign grants						
Proceeds from borrowings						
Miscellaneous receipts				776,130	(776,130)	(100%)
Total Receipts				776,130	(776,130)	
Payments						
Compensation of employees						
Purchase of goods and services	-	-	-	703,993	0	0%
Social security benefits						
Acquisition of non-financial assets						
Transfers to other government entities						
Other grants and transfers						
Total Payments	-	-	-	703,993	0	0%

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



Principal Secretary



Project Coordinator (Simon Mutinda)

Simon Mutinda

Date 28th October 2021



Project Accountant

Alex Nyaga

Date 28th October 2021

ICPAK Member No:8930

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

10.3 Reporting entity

The financial statements are for the Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project (Credit BMZ No. Kenya 201065853) under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3.1 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.

10.4 Significant Accounting Policies

a) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

i) Transfers from the Exchequer

Transfer from Exchequer is be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

ii) External Assistance

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

iii) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

b) 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.

Significant Accounting Policies (Continued)

c) 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.

d) 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

e) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

i) Compensation of employees

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

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

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 by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) 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.

Significant Accounting Policies (Continued)

g) 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 were not surrendered or accounted for at the end of the financial year.

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

h) Accounts receivable

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.

Significant Accounting Policies (Continued)

i)Contingent Liabilities

A contingent liability is:

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

- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 5** of this financial statement is a register of the contingent liabilities in the year.

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

j) 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.

Significant Accounting Policies (Continued)

k) 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.

l) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

Significant Accounting Policies (Continued)

m) 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.

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

n) Exchange rate differences

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

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

q) 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.

11. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

During the year under review there were no receipts from the Government of Kenya

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2021 There were no receipts from domestic and foreign grants

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2021 there were no loans from external development partner

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. MISCELLANEOUS RECEIPTS

	2020/21		20/19/2020	
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Cumulative to- date (from inception)
	KShs	KShs	KShs	KShs
Property income	-	-	-	
Sales of goods and services	-	-	-	92,049,396
Administrative fees and charges	-	-	-	
Fines, penalties and forfeitures	-	-	-	
Voluntary transfers other than grants	-	-	-	
Other receipts not classified elsewhere (Foreign Exchange gains)	776,130	-	776,130	10,467,949
Total	776,130	-	776,130	102,517,345

Interest Income represents income earned from the projects cash balances in our operating account. This is part of the VMA's prudent treasury management efforts. In the year 2020/21 there was no interest income generated.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. COMPENSATION OF EMPLOYEES

	2020/2021			2019/2020		Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments		
	KShs	KShs	KShs	KShs	KShs	KShs
-	-	-	-	-	-	-
Basic salaries of permanent employees	-	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-	120,667,349
Personal allowances paid as part of salary	-	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-	-
Other personnel payments	-	-	-	-	-	16,507,330
Total	-	-	-	-	-	137,174,679

During the 12 months to 30 June 2021 the project did not have any expenses for compensation of temporary staff and consultants.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. PURCHASE OF GOODS AND SERVICES

Description	FY 2020/21			FY 2019/20	Cumulative
	Payments made by the Entity in Cash	Payments made by third parties	Total	Total	Total
Utilities, supplies and services	-	-	-	-	2,940,421,889.00
Communication, supplies and services	-	-	-	-	16,237,694.00
Domestic Travel and Subsistence	-	-	-	-	2,997,172.00
Foreign Travel and Subsistence	-	-	-	-	37,556.00
Printing, advertising and Information, supplies and services	-	-	-	-	6,074,733.00
Training expenses	-	-	-	-	54,865,549.00
Hospitality supplies and services	-	-	-	-	-
Insurance Costs	-	-	-	-	694,768.00
Specialized materials and services	667,484.00			256,729.00	21,997,629.27
Other Operating expenses (Bank Charges)	36,509.20			30,303.20	8,383,334.40
Routine Maintenance- Vehicles and Other transport equipment					1,908,262.00
Routine Maintenance-Fuel					2,191,801.00
Total	703,993.20			287,032.20	3,055,810,387.67

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. SOCIAL SECURITY BENEFITS

Since there is no activity and thus no employee on the project, there was no social security benefit during the period under review

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF NON-FINANCIAL ASSETS

Description	FY 2020/21			FY 2019/20	Cumulative
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
Purchase of Vehicle and Other Transport Equipment		-		-	12,449,407
Hand-held Gadgets - 200 pieces		-		-	35,522,694
Hand-held Gadgets – 334 pieces		-		-	19,963,180
Hand-held Gadgets – 55 pieces		-		-	3,719,569
Server		-		-	331,923
Total		-		-	71,986,774

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2021, there was no transfer to other Government agencies.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. OTHER GRANTS AND TRANSFERS AND PAYMENTS

	2020/21			2019/20	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships					
Transfers to lower levels of government e.g schools	-	-	-	-	-
Miscellaneous payments (Refund to KFW)	13,694,180	-	13,694,180		13,694,180
Total	13,694,180	-	13,694,180	-	13,694,180

During the year the VMA refunded to the donor (KFW) a total of 13,694,180 (EUR107,991.54) The Amount is supported by the PV 2021_001 and is reflected in the bank statement attached to this report.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. CASH AND CASH EQUIVALENTS

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 8.13A)	1,026,932	14,648,976
Cash in hand (Note 8. 13B)	-	xxx
Cash equivalents (short-term deposits) (Note 8.13C)	-	-
Total	1,026,932	14,648,976

The project has one project accounts spread within the project implementation area and one foreign currency designated accounts managed by The Voucher Management Agency.

11. A Bank Accounts

Project Bank Accounts

	FY 2020/2021	FY 2019/2020
Cash Book Balances	Kshs	Kshs
Total Foreign Currency cashbook balances		
Standard Chartered Bank-Euro Account (Account Number-9 306022985002)	862,119	13,803,119
	862,119	13,803,119
Local Currencies cash book balances		
Standard Chartered -Kshs Cash book balance	164,813	845,857
Kenya Commercial Bank-Kshs Cash book balance		
Equity Bank-Kshs Account (Account Number-0810297440920)		
Total for Local Currencies	164,813	845,857
Total bank account balances	1,026,932	14,648,976

Notes

- 1) The special bank account is operated in Standard Chartered in Euros. As at 30 June 2021, the special bank account had a closing cash book balance of Euro 6,723.41, which is translated at the closing rate of 128.2265 to give a closing balance of Kshs 862,119.33.
- 2) The Standard Chartered (Kshs) account balance as at June 30, 2021 was Kshs 164,813 and a cash book balance of a similar amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The project did not have special deposit accounts during the period under review

Special Deposit Accounts Movement Schedule

The project did not have special deposit accounts during the period under review

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 B Cash In Hand

The project transacted through bank transfers only and thus did not have any cash in hand during the period under review

11 C Cash equivalents (short-term deposits)

The project did not have any short-term deposits during the period under review

12. ACCOUNTS RECEIVABLES

The project did not have any accounts receivables during the period under review

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12B: BREAKDOWN OF IMPRESTS AND ADVANCES

There were no imprests and advances during the period under review

13. ACCOUNTS PAYABLES

There were no accounts payable during the period under review

14. FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	14,648,976	15,197,361
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	14,648,976	15,197,361

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PRIOR YEAR ADJUSTMENT

There were no adjustments during the year under review

16. CHANGES IN RECEIVABLE

There were no changes in receivables during the period under review

17. CHANGES IN ACCOUNTS PAYABLE

There were no changes in accounts payable during the period under review

12. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 3A)

There were no pending accounts payable during the period under review

2. PENDING STAFF PAYABLES (See Annex 3B)

There were no pending staff payables during the period under review

OTHER IMPORTANT DISCLOSURES (Continued)

3. OTHER PENDING PAYABLES (See Annex 3C)

There was no other pending payable during the year under review

4. EXTERNAL ASSISTANCE

There was no external assistance received during the period under review

OTHER IMPORTANT DISCLOSURES (Continued)

a). External assistance relating loans and grants

None under the period under review

b) Undrawn external assistance

None under the period under review

c) classes of providers of external assistance

None under the period under review

OTHER IMPORTANT DISCLOSURES (Continued)

d. non-monetary external assistance

None under the period under review

***Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach Project
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e Purpose and use of external assistance

None under the period under review

OTHER IMPORTANT DISCLOSURES (Continued)

f. External Assistance paid by Third Parties on behalf of the Entity by Source

None under the period under review

Court Cases

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

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

**Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach
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13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Ref	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
1	<p>Lack of Project Extension</p> <p>Phase IV of the VMA was scheduled to end in January 2018 and the project closure accounts prepared. In addition, donor and GOK commitments constitute allocation for the implementation of project activities and its utilization significantly determines achievement of objectives.</p> <p>As reported in the previous year, the project was intended to contribute in reduction of both maternal and infant mortality rates by improving access to and utilization of reproductive health services by the economically disadvantaged populations. As disclosed under the funding summary section of the annual report and financial statements, the project, (Phase I-IV) was expected to end in January 2018 with total available funding of Kshs. 3,273,686,056 (EURO 30,200,000). However, a review of the annual report and financial statements for the year ended 30 June,2020, reflects undrawn balances of Kshs. 126,792,873 and cash and cash equivalents of 14,648,976 which is likely to be refunded to the donor as no</p>	<p>The project came to an end in March 2018 and hence there were no operational activities. The reason that the project is yet to be closed is due to pending Voucher Service Provider court cases. The project will be closed as soon as the pending court cases are heard and determined.</p> <p>We remitted the remaining funds to KfW Development bank on 5 August 2020 and agreed that should the project require funds for contingencies due to the pending court cases, KfW shall avail the funds to the VMA through replenishment requests.</p> <p>As per the RH-OBA financial statements for FY 2018/19, RH-OBA project achieved a 97% utilization.</p> <p>The project objectives were met as presented in the final project implementation report.</p>	N/A	Resolved	N/A

**Support of the Health Care Financing Strategy –Reproductive Health - Output Based Approach
Project (Credit BMZ No. Kenya 201065853)
Reports and Financial Statements
For the financial year ended June 30, 2021**

Ref	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
	<p>project extension is in place. Although Management explained the reduction on reimbursable amounts as due to the Government of Kenya funding on free maternity, there was need to expand the area of coverage so as to utilise the grant and maximize the benefits. In the circumstances, the continued operation of</p> <p>Risk Project management may not be complying with the project agreement provisions on closure of the project and thus operating illegally.</p> <p>Recommendation The management should comply with the provisions of the project agreement on the closure of the project and seek project extension. The management should also provide an explanation on the inability to fully utilize donor's commitments during the project implementation period.</p>	<p>The remaining 3% was not utilized because;</p> <ol style="list-style-type: none"> 1. An introduction of free maternity services by GoK which was effected in 2012. This led to the reimbursement amounts to the facilities to be reduced. 2. The Ministry of Health had planned to increase the number of districts in the 4th phase of implementation from five to eight, but this was not effected due to the free maternity services offered across the country by GoK. 			

Principal Secretary



Date

Project Coordinator

Simon Mutinda



Date 28 Oct 2021

14. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

No variances in budgets during the period under review

ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

There were no inter entity transfers during the period under review

ANNEX 3A - ANALYSIS OF PENDING BILLS

No pending bill s during the period under review

ANNEX 3B - ANALYSIS OF PENDING STAFF BILLS

There were no pending staff bills during the period

ANNEX 3C - ANALYSIS OF OTHER PENDING PAYABLES

There were no pending staff payables during the period

ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER

No Fixed assets procured during the year

APPENDICES

i. Signed confirmations from beneficiaries in Transfers to Other Government Entities

There were no transfers to other Government entities during the period under review.

ii. Bank Reconciliations statement as at 30th June 2021

	Total Local Currency cashbook balances (Ksh)	Total Foreign Currency cashbook balances (Euro)
Balance as per Bank Statement	164,813	862,119
Funds in Transit	-	-
Net Book Value	164,813	862,119

Notes:

Fx128.2265 Kes/Euro

$(862,119 \times 128.2265) + 164,813 = 1,026,932.28$

iii. Board of Survey Report

The project did not maintain cash at hand during the period under review

iv. Special Deposit Account(s) reconciliation statement(s)

There were no special deposit Accounts during the period under review

v. GOK IFMIS comparison Trial Balance

This is not available with the voucher management Agency