


REPUBLIC OF KENYA



*Enhancing Accountability*

## REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 MAR 2023	
DAY: WEDNESDAY	
TABLED BY:	DEPUTY LEADER OF THE MAJORITY PARTY
CLERK-AT THE TABLE:	INZOU MWALE

**THE AUDITOR-GENERAL**

**ON**

**DANIDA PRIMARY HEALTHCARE  
(PHC) SUPPORT PROGRAM**

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

**MINISTRY OF HEALTH**







**PROJECT NAME: DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM**

**IMPLEMENTING ENTITY: Ministry of Health**

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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)**



# DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM

## *Annual Report 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 project's official name is DANIDA Primary Healthcare (PHC) Support Program

**Objective**

The key objective of the project is to improve primary health care with focus on reproductive, maternal, newborn, child and adolescent health.

**Address**

The project headquarters offices are Ministry of Health, Aya House, Nairobi County, Kenya.

The address of its registered office is: Ministry of Health, Aya House, Cathedral Road, P.O Box 30016-00100, Nairobi – Kenya.

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

P.O. Box:30016-00100

Telephone: +254-20-2717077

E-mail: [ps@hhealth.go.ke](mailto:ps@hhealth.go.ke)

Website: <https://www.health.go.ke>

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**Project information and overall performance (continued)**

**1.2 Project Information**

<b>Project Start Date:</b>	The project start date is 01 January 21
<b>Project End Date:</b>	The project end date is 31 December 25
<b>Project Manager:</b>	The project manager is Dr. Isaac Kimani
<b>Project Sponsor:</b>	Danish International Development Agency (DANIDA)

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Health.
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> <li>(i) Increased pro-poor access to quality primary healthcare with focus on reproductive, maternal, new-born, child and adolescent health services at county level.</li> <li>(ii) Improved access to and delivery of sustainable primary healthcare services in 47 counties in Kenya</li> </ul>
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) Conditional grants towards primary care to all 47 counties to support outreach, operations and maintenance at public gazetted level 2 and 3 health facilities as well as level 1 community health services.</li> <li>(ii) Long-term Advisor support through a Financial Management Advisor and M&amp;E Advisor with the primary focus of providing overall advice and capacity building.</li> </ul>
Other important background information of the project	The project focuses on the counties and specifically at level 2 and 3 health facility level as well as level 1 (community) health services. The current funding is likely to be the last phase of Danish health support to Kenya and therefore there is a strong

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	component of sustainability. A counterpart funding modality was put in place where Danida contributions will drop each year with counties required to replenish the amounts accordingly.
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>(i) Sustainably covering critical financing gaps in primary health care in counties in terms of predictable and flexible funding for operations, maintenance and outreach through existing government systems.</li> <li>(ii) Strengthening the implementation and management of healthcare service delivery through technical assistance to M&amp;E and PFM.</li> </ul>
Project duration	The project started on 1st January 2021 and is expected to run until 31 <sup>st</sup> December 2025.



## **Project Information and Overall Performance (Continued)**

### **1.4 Bankers**

The following are the bankers for the current year:

Central Bank of Kenya  
P.O. Box 60000-00200  
Nairobi



### **1.5 Auditors**

The project is audited by the


Auditor- General  
P.O Box 30084 – 00100  
Nairobi.

### **1.6 Roles and Responsibilities**

List the different people who will be working on the project.

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
<b>Dr. Isaac Kimani</b> 	Project Manager leading the Project Management Team with representatives from Council of Governors	MBChB	To manage, direct and monitor implementation of the project's activities. Coordinate with counties in working towards meeting the project's objectives.
<b>Steen Larsen</b> 	DANIDA Financial Management Advisor	Bsc Economics	To provide advice and capacity building on financial management procedures surrounding the conditional grants and around the need for

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			increased budgetary allocation to health by counties. Oversee transfer of funds from national to county levels.
Kirstine Nojgaard 	DANIDA M&E Advisor	Bsc Public Health	To provide advice within the areas of M&E and/or broader health systems strengthening.

### 1.7 Funding summary

The Project is for duration of 5 years from 2021 to 2025 with an approved initial budget of **DKK 140 million** equivalent to approximately **Ksh. 2.4 billion**. In September 2021, the Royal Danish Embassy announced additional funding to the PHC program of **DKK 75 million (Ksh. 1.2 billion)** as highlighted in the table below:

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**Project information and overall performance (continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (30 June 2022)		Undrawn balance to date	
	Donor currency (DKK)	Kshs	Donor currency Kshs		Donor currency Kshs	
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
<b>(i) Grant</b>						
DANIDA PHC (Initial Funding)	215,000,000	3,600,000,000	19,015,865	325,986,258	195,984,135	3,274,013,742
<b>Total</b>	<b>215,000,000</b>	<b>3,600,000,000</b>	<b>19,015,865</b>	<b>325,986,258</b>	<b>195,984,135</b>	<b>3,274,013,742</b>

**Project information and overall performance (continued)**

**B. Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2022)		Cumulative amount paid to date – (30 <sup>th</sup> June 2022)	Unutilised balance to date (30 <sup>th</sup> June 2022)	
	Donor currency	Kshs		Donor currency	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>					
DANIDA PHC (Initial Funding)	19,015,865	325,986,258	324,361,266	94,791	1,624,992
<b>Total</b>	<b>19,015,865</b>	<b>325,986,258</b>	<b>324,361,266</b>	<b>94,791</b>	<b>1,624,992</b>

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**Project information and overall performance (continued)**

**1.8 Summary of Overall Project Performance:**

The key beneficiaries of the project are women of reproductive age, including adolescents and children under five who utilize Primary Health Care services most. The project supports counties in ensuring that the benefits reach the people at grass root level. The projects aim to ensure that;

- Children younger than one year are fully immunized;
- Pregnant women attend at least four Anti-Natal Care(ANC) visits;
- Births are attended by skilled health personnel; and
- Women of reproductive age are using a modern Family Planning method.

**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.



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**2. Statement of Performance against Project's Predetermined Objectives**

The DANIDA PHC grant named "improved primary health care with focus on reproductive, maternal, newborn, child and adolescent health" focuses on supporting the counties and specifically all gazette government health facilities and level 1 community health services. This has led to improvement in reported quality of care provided at primary health care facilities and resulted into staff motivation and patient satisfaction.

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the *project's* plan are to:

- a) Improve the delivery, utilization, and quality of PHC services at the county level with a focus on (Reproductive, Maternal, Newborn, Child and Adolescent health services) RMNCAH.
- b) Funds will be sent to gazetted public Level 2 and Level 3 health facilities in the 47 Counties.
- c) Strengthen institutional capacity to better deliver quality PHC services.

**Progress on attainment of Strategic development objectives**

	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
1	<b>Improve the delivery, utilization, and quality of Public Health Care services at the county level</b>	Improved access to and delivery of sustainable primary healthcare services in 47 counties in Kenya	skilled birth delivery year's coverage  increase in antenatal care year's coverage  Uptake of family planning .	Increased pro-poor access to quality primary healthcare with focus on reproductive, maternal, new-born, child and adolescent health services at county level.

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**3. Environmental and Sustainability reporting.**

**1. Sustainability strategy and profile**

The support makes full use of country systems delivering 'on-budget' support to counties and Ministry of Health. Disbursement of conditional grants is done through the Government system to National Treasury for onward disbursement through IFMIS to the health facilities in the 47 counties. These grants are given at county level according to the existing County Allocation of Revenue (CARA) formula and are allocated to facilities, based on a criteria agreed upon by the county and fully disclosed to the project team. This will improve public health service delivery as the funds will support operational and maintenance expenditure at primary health care facility level.

**2. Environmental performance**

This is the first year of operations however environmental safeguards will be enforced .

**3. Employee welfare**

The project follows the Government policies and procedures in the hiring process. The Ministry Human Resource department in collaboration with the Council of Governors(COG) conducts the interviews.

**4. Market place practices-**

**a) Responsible Supply chain and supplier relations-**

The organization encourages free flow of information during procurement processes to enable Suppliers gain complete understanding of the procurements being undertaken, and this allows them to both parties to meet each other's' needs more effectively.

**b) Responsible ethical practices**

- Continuous updating of the supplier register by registration of all qualified suppliers
- Ensure confidentiality is maintained during a procurement process. If Any information is to be given, ensure it is shared to all participating suppliers during a procurement process.
- The organization is a government entity and serves and treats all its clients equally.

## **DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM**

### ***Annual Report and Financial Statements***

***for the financial year ended June 30, 2022***

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#### **c) Regulatory impact assessment**

- All procurement processes are done in accordance to the procurement regulations of the donor requires fairness in treatment of all citizens and stakeholders
- All procurement processes are to be open to all eligible participants

#### **5. Community Engagements-**

The project follows the Government procedures and public participation is required at the county level .

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**4. Statement of Project Management responsibilities**

The Principal Secretary for the Ministry of Health and the Project Manager for Danida Primary Health care support program – (DANIDA PHC Project) 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 Manager for Danida Primary Health care support program – (DANIDA PHC Project) 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 Manager for Danida Primary Health care support program – (DANIDA PHC Project) 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 Manager 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 Manager for Danida Primary Health care support program – (DANIDA PHC Program) 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.

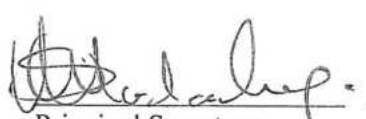


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**Approval of the Project financial statements**

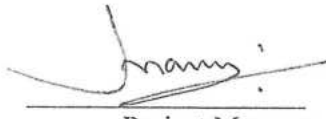
The Project financial statements were approved by The Principal Secretary for the Ministry of Health and the Project Manager for Danida Primary Health care support program – (DANIDA PHC Program) Secretariat on 01<sup>st</sup> November 2022 and signed by them.



Principal Secretary

Name Susan N. Mwachache

01/11/2022



Project Manager

Name Dr. Isaac Idman

01/11/2022



Project Accountant:

Name: Caroline Ndingo

ICPAK Member Number: 9040

01/11/2022



# 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 DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM 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 DANIDA Primary Healthcare (PHC) Support Program set out on pages 1 to 12, which comprise of the statement of

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*Report of the Auditor-General on Danida Primary Healthcare (PHC) Support Program for the year ended 30 June, 2022 - Ministry of Health*



financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of comparison of 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 DANIDA Primary Healthcare (PHC) Support Program 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 14 December, 2020 between Danish Government 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 DANIDA Primary Healthcare (PHC) Support Program Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.433,648,750 and actual on comparable basis of Kshs.325,986,258 resulting to underfunding of Kshs.107,662,492 (or 25%). Similarly, the Project spent an amount of Kshs.324,361,266 out of the approved expenditure budget of Kshs.433,648,750 resulting in an under expenditure of Kshs.109,287,484 (or 25%).

In the circumstances, the Project's key objectives of improving primary health care with focus on reproductive, maternal, new-born, child and adolescent health care may not be achieved.

### **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 Agreement dated 14 December, 2020, 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional 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





**Annual Report and Financial Statements  
for the financial year ended June 30, 2022**


**6. Statement of Receipts and Payments for the year ended 30th June 2022.**

	Not e	Receipts and payments controlled by the entity	2021-2022		Total	Receipts and payment controlle d by the entity	2020-2021		Total	Cumulative to-date (From inception)
			Kshs.	Kshs.			Kshs.	Kshs.		
<b>Receipts</b>										
Proceeds from domestic and foreign grants	1	325,986,258			325,986,258					325,986,258
Total receipts		325,986,258			325,986,258					325,986,258
<b>Payments</b>										
Purchase of goods and services										
Acquisition of non-financial assets										
Transfers to other government entities	4	324,361,266			324,361,266					324,361,266
Total payments		324,361,266			324,361,266					324,361,266
Surplus/ (deficit)		1,624,992			1,624,992					1,624,992

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

  
Name Susan N. Mwachiro CBS

  
Name Isaac Kimani

  
Name Caroline W. Ndirangu

Principal Secretary

Project Manager

Project Accountant

01/11/2022

01/11/2022

ICPAK Member No: 9040

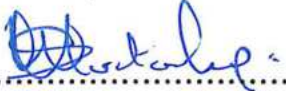
01/11/2022

**DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM**  
**Annual Report and Financial Statements**  
**for the financial year ended June 30, 2022**

**7. Statement of Financial Assets as at 30<sup>th</sup> June 2022**

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Financial Assets</b>			
<b>Cash and Cash equivalents</b>			
Bank Balances	5	1,624,992	
<b>Total Cash and Cash equivalents</b>		<b>1,624,992</b>	
Imprests and Advances			
<b>Total Financial Assets</b>		<b>1,624,992</b>	
<b>Financial Liabilities</b>			
<b>Net Assets</b>			
<b>Represented By</b>			
Fund Balance B/fwd.			
Surplus/(Deficit) for the Year		1,624,992	
<b>Net Financial Position</b>		<b>1,624,992</b>	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 01<sup>st</sup> Nov. 2022 and signed by:




Name

Susan N. Mwachache, CBS

Principal Secretary

01/11/2022

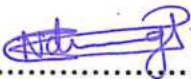


Name

Dr. Isaac Kimani

Project Manager

01/11/2022



Name

Caroline W. Ndungu

Project Accountant

ICPAK No. 9040

01/11/2022

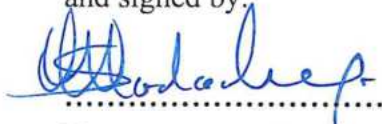


**DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM**  
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**8. Statement of Cashflow for the year ended 30<sup>th</sup> June 2022**

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Cashflow from operating activities</b>			
<b>Receipts</b>			
Proceeds from domestic and foreign grants	1	325,986,258	
<b>Total receipts</b>		<b>325,986,258</b>	
<b>Payments</b>			
Purchase of goods and services			
Transfers to other government entities	4	324,361,266	
<b>Total Payments</b>		<b>324,361,266</b>	
<b>Adjustments during the year</b>			
Decrease/(increase) in accounts receivable			
<b>Net cash flow from operating activities</b>		<b>324,361,266</b>	
<b>Cashflow from investing activities</b>			
Acquisition of non-financial assets			
<b>Net cash flows from investing activities</b>			
<b>Cash flow from financing activities</b>			
Net cash flow from financing activities			
Net increase in cash and cash equivalents			
<b>Cash and cash equivalent at beginning of the year</b>			
<b>Cash and cash equivalent at end of the year</b>	5	<b>1,624,992</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 01/Nov/2022 and signed by:



Name Susan N. Mochache, CBS  
Principal Secretary

01/11/2022



Name Dr. Isaac Kimani  
Project Manager

01/11/2022



Name Caroline Ndirangu  
Project Accountant

ICPAK Member No: 9040  
01/11/2022

**DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM**  
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**9. Statement of Comparison of Budget and Actual amounts for the year ended 30<sup>th</sup> June 2022**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization $f=d/c$ %
	a	b	c=a+b	d	e=c-d	
<b>Receipts</b>						
Proceeds from domestic and foreign grants	802,197,000	(368,548,250)	433,648,750	325,986,258	107,662,492	75%
<b>Total Receipts</b>	<b>802,197,000</b>	<b>(368,548,250)</b>	<b>433,648,750</b>	<b>325,986,258</b>	<b>107,662,492</b>	
<b>Payments</b>						
Compensation to employees						
Purchase of goods and services	100,947,000	(20,473,250)	80,473,750	-	80,473,750	
Acquisition of non-financial assets						
Transfers to other government entities	696,150,000	(348,075,000)	348,075,000	322,911,266	25,163,734	93%
Other grants and transfers	5,100,000		5,100,000	1,450,000	3,650,000	28%
<b>Total Payments</b>	<b>802,197,000</b>	<b>(368,548,250)</b>	<b>433,648,750</b>	<b>324,361,266</b>	<b>109,287,484</b>	
<b>Surplus or Deficit</b>				<b>1,624,992</b>	<b>(1,624,992)</b>	

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



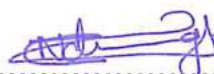
Name **Susan N. Mochache**  
Principal Secretary

01/11/2022



Name **Dr. Isaac Khamu**  
Project Manager

01/11/2022



Name **Caroline W. Ndingu**  
Project Accountant

ICPAK Member No: **9040**  
01/11/2022

## **10. Significant Accounting Policies**

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

### **10.1 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.

### **10.2 Reporting entity**

The financial statements are for Danida Primary Health care support program under the Ministry of Health. The financial statements are for Danida Primary Health care support program as required by Section 81 of the PFM Act, 2012 .

### **10.3 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 Recognition of receipts**

Danida Primary Health care support program recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

#### **i) Transfers from the Exchequer**

Transfer from Exchequer is 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 monies received through grants and loans from multilateral and bilateral development partners.



**Significant Accounting Policies (Continued)**

**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 at the time associated cash is received.

**i) Compensation to 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.

**iii) 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.

**10.5 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.

#### **10.6 Imprests and Advances**

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.

#### **10.7 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' 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.

#### **10.8 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.

**10.9 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 funds were received in form of direct payments from third parties.

**10.10 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.

## 11. Notes to the Financial Statements

### Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Total amount in Kshs	
					2021-2022	2020-2021
			Kshs	Kshs	Kshs	Kshs
Grants Received from Multilateral Donors (International Organizations)						
Danida grant		18,836,482	322,911,258		322,911,258	
	27/jun/2022	179,383	3,075,000		3,075,000	
<b>Total</b>		<b>19,015,865</b>	<b>325,986,258</b>		<b>325,986,258</b>	

## 2. Purchase of Goods and Services

	2021/2022			2020/2021	
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to- date
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services					
Communication, supplies and services					
Domestic travel and subsistence					
<b>Total</b>					



**DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM**  
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**3. Acquisition of Non-Financial Assets**

	Payment s made in Cash	Paymen ts made by third parties	Total paymen ts	Total paymen ts	Cumula tive to- date
	2021-2022			2020- 2021	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of vehicles & other transport equipment					
Purchase of household furniture & institutional equipment					
Purchase of office furniture & general equipment					
Acquisition of other intangible assets					
<b>Total</b>					

**4. Transfers to other Government Entities**

During the financial period to 30 June 2022, we transferred funds to reporting government entities as shown below:

	Payments made in Cash	Payments made by third parties	Total paym ents	Total payments	Cumulative to-date
	2021-2022			2021-2020	
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers to County Governments					
County 47 counties	322,911,266				322,911,266
Council of Governors	1,450,000				1,450,000
<b>Total</b>	<b><u>324,361,266</u></b>				<b><u>324,361,266</u></b>

**DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM**  
*Annual Report and Financial Statements*  
*for the financial year ended June 30, 2022*

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**Notes to the Financial Statements (Continued)**

**5. Cash And Cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts (Note 8.13A)	1,624,992	
<b>Total</b>	<b><u>1,624,992</u></b>	

The project has one project account maintained within the Ministry of Health and two foreign currency designated accounts managed by the National Treasury as listed below:

**6. A Bank Accounts**

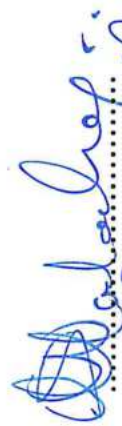
**Project Bank Accounts**


Details	2021-2022	2020-2021
	Kshs	Kshs
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	1,624,992	
Total bank account balances	<b><u>1,624,992</u></b>	

DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM  
Annual Report and Financial Statements  
for the financial year ended June 30, 2022

12. Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

  
Name Susan N. Mochache, CBS  
Principal Secretary

  
Name Dr. Isaac Khumani  
Project Manager



**DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM**  
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for the financial year ended June 30, 2022

**13. Annexes**

**Annex1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
Proceeds from domestic and foreign grants	433,648,750	325,986,258	107,662,492	75%	Delay in passage of the County Government additional allocation bill meant that only one tranche was disbursed to the counties.
<b>Total Receipts</b>	<b>433,648,750</b>	<b>325,986,258</b>	<b>107,662,492</b>		
<b>Payments</b>					
Compensation of employees					
Purchase of goods and services	80,473,750	-	80,473,750		
Acquisition of assets					
Transfers to other government entities	348,075,000	322,911,266	25,163,734	93%	
Other grants and transfers	5,100,000	1,450,000	3,650,000	28%	The donor only approved disbursement for Quarter 3 and 4 only.
<b>Total payments</b>	<b>433,648,750</b>	<b>324,361,266</b>	<b>109,287,484</b>		



**DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM**  
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*for the financial year ended June 30, 2022*

**Annex 2 – Summary of Fixed Assets Register**

Asset class	Opening Cost (KShs) 2021/22	Donations in form of assets (KShs) 2021/22	*Purchases/ Additions in the Year (KShs) 2021/22	**Disposals in the Year (KShs) 2021/22	Transfers in/(out) Kshs 2021/22	Closing Cost (KShs) 2022
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+(c)- (d)+(- )d
Land						
Buildings and structures						
Transport equipment						
Office equipment, furniture and fittings						
ICT Equipment,						
Other Machinery and Equipment						
Heritage and cultural assets						
Biological assets						
Infrastructure assets roads, rails						
Intangible assets						
Work in Progress						
<b>Total</b>						

Notes

\* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

## **DANIDA PRIMARY HEALTHCARE (PHC) SUPPORT PROGRAM**

### ***Annual Report and Financial Statements***

***for the financial year ended June 30, 2022***

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#### **Annex 3: Other Support Documents**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2022
- iii. Certificate of Bank Balances as at 30<sup>th</sup> June 2022



BAHREI  
KUU VA  
KEPIVA



CDL 66  
BARE 01  
KEPIVA

July 29, 2022

Hatia Salasie Avenue  
P.O. Box 60000 Nairobi Kenya  
Telephone 2860500, Fax 160192

## CERTIFICATE OF BALANCES

Customer : 120374

MINISTRY OF HEALTH

Balance Date: 30-Jun-22

Account No	Account Name	Currency	Balance
1000181478	REC-MINISTRY OF HEALTH	KES	511,845,346.02
1000181688	DEV-MINISTRY OF HEALTH	KES	556,931,493.90
1000182156	DEP-MINISTRY OF HEALTH	KES	244,057,877.31
1000182601	CBK165-MINISTRY OF HEALTH	KES	0.00
1000198858	E.A PUBLIC HEALTH LAB. NETWORK PROJ	KES	50.11
1000258756	EA CENT.OF EXC.-SKILL,ED -BIOMED S	KES	7,424,327.20
1000298488	KENYA ITALY DEBT FOR DEV (KIDDP)	KES	30,112,829.40
1000313878	TRANSFORM.HEALTH SYST. UNIVERSAL C	KES	619,884,731.75
1000327979	DANIDA PRO SUP UNIV HEALTH CARE UHC	KES	0.00
1000328037	MINISTRY OF HEALTH EQUA FUND OPER	KES	583,596,177.65
1000340614	THS UC GFF GRANT TFOA2561 KE	KES	0.00
1000340649	THS UC PHRD GRANT TFOA2792 KE	KES	0.00
1000429437	SPORTS,ART,SOCIAL DEV. FUND-HEALTH	KES	986,272,499.40
1000446684	COVID 19 EMERGENCY RESPONSE PROJECT	KES	258,513,454.40
1000453176	TOBACCO CONTROL FUND	KES	480,766,238.25
1000516879	KEPSA PRIVATE SECTR INITI COVID VAC	KES	0.00
1000565705	KENYA COVID-19 HEALTH EMERGENCY RES	KES	800,311,701.65
1000596562	DANIDA SUPPORTED PRI H C PROGRAMME	KES	1,624,992.00

Lawrence Rweria  
Authorised Signatory  
Banking Services Division

Joyce Nasieku  
Authorised Signatory  
Banking Services Division





REPUBLIC OF KENYA  
MINISTRY OF HEALTH  
DANIDA PHC

**BANK RECONCILIATION AS AT 30TH JUNE, 2022**

	Sh.	cts.	Sh.	cts.	Sh.	cts.
Balance as per Bank Statement			1,624,992.00			
Less						
1. Payments in cash book not yet recorded in Bank statement (unpresented Cheques)			-			
2. Receipts in Bank statement not yet recorded in Cash book.....						
Add						
3. Payments in Bank statement not yet recorded in Cash book.....			-			
4 Receipt in cash book not yet recorded in Bank statement						
Bank balance as per cash book			1,624,992.00			
Balance as per Bank Statement						
I certify that I have verified Bank above reconciliation is correct.						

PAYMENTS IN CASHBOOK NOT RECORDED IN BANK STATEMENT						PAYMENTS IN BANK STATEMENT NOT RECORDED IN CASHBOOK			
DATE	a TO WHOM PAID	DESCRIPTION OF PAYMENT	VOUCHER NUMBER	CASH	BANK	DATE	TO WHOM PAID	DESCRIPTION OF PAYMENT	BANK
<b>Total</b>							<b>Total</b>		

Prepared by  
Himanshu Muchhi

Signature \_\_\_\_\_

Designation  
Priest Fr. Accountant

Date 04.07.2022

Reviewed by  
Caroline Welton

Signature \_\_\_\_\_

Designation *Prob... Assistant*

Date: 05/07/2022

Approved By  
Joan Oling

Signature .....

Designation  
Ass. Accountant G

Date 05/07/2022

