

# **Kenya Red Cross Society (KRCS)**

**Restricted Funds Projects**

**Special Purpose Financial Statements for the  
period**

**1 January 2022 to 31 December 2022**

May 2023

This report contains 14 pages

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# 1 Introduction

## 1.1 Background Information

### **Kenya Red cross Society (KRCS)**

Kenya Red Cross Society (KRCS) is the largest humanitarian organization in Kenya. Its vision is to be the most effective, most trusted and self-sustaining humanitarian organization in the country. KRCS is a humanitarian relief organization created through an Act of Parliament, Cap 256 of the Laws of Kenya of 21 December 1965. Previously, the Society existed as a Branch of the British Red Cross between 1939 and 1965. As a voluntary organization, the Kenya Red Cross operates through a network of 47 branches, eight regional offices and volunteers throughout the country.

## 1.2 List of audited donors

### **Donor Name**

Danish Red Cross (DRC)  
Norwegian Red Cross (NRC)  
Finnish Red Cross (FRC)  
Christian Blind Mission (CBM)  
Government of Kenya (GoK)  
British Red Cross (BRC)  
Phillips Foundation  
International Federation of Red Cross (IFRC)  
Other Assorted Donors  
Oxfam International  
AMCROSS  
European Union (EU)  
United States Agency for International Development (USAID)  
International Committee of the Red Cross (ICRC)  
United Nation Agencies (UN)

## **2 Scope of the audit**

This report covers the audit of funds provided by Multi Donors to Kenya Red Cross Society (KRCS) for the implementation of the Projects activities funded by donors as detailed under section 1.2 for the period 1 January 2022 to 31 December 2022.

The objective of the audit is to express an audit opinion in accordance with ISAs on whether the special purpose financial statements of the projects funded by Multi Donors and implemented by the Kenya Red Cross Society (KRCS) for the period 1 January 2022 to 31 December 2022 have been prepared in accordance with Kenya Red Cross accounting policies..

The audit was undertaken in accordance with international Standards on Auditing (ISAs).

### **2.2 Summary of results**

- (a) The opinion on the special purpose financial statements is set out in section 4 of this report.
- (b) The compliance exceptions noted from the audit are contained in a separate cover (management letter).

### 3 Statement of program management's responsibilities

Project management (Management) is responsible for the preparation and presentation of the special purpose financial statements of the projects funded by Multi donors implemented by Kenya Red Cross Society (the Project) which comprise the statement of financial position as at 31 December 2022 and the statement of income and expenditure for the period 1 January 2022 to 31 December 2022 and notes to the special purpose financial statements, which include a summary of significant accounting policies and other explanatory notes.

Management's responsibility includes: determining that the basis of accounting described in Note 5.3.1 to the special purpose financial statements is an acceptable basis for preparing and presenting the special purpose financial statements in the circumstances, and in accordance with the KRCS accounting and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatements, whether due to fraud or error.

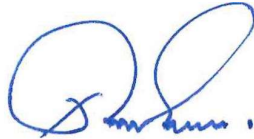
Management accepts responsibility for the special purpose financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the accounting policies and requirements of KRCS.

Management is of the opinion that the special purpose financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in Note 5.3.1. Management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the special purpose financial statements, as well as adequate systems of internal financial control.

The Management has assessed the ability of the Multi Donor Projects to continue as a going concern and as disclosed on Note 5.3.2(m) to the special purpose financial statements and believe that the project will continue as a going concern as some of the projects are expected to continue beyond 31 December 2024.

#### Approval of the financial statements

The special purpose financial statements of the Projects, as indicated above, were approved and authorised for issue by management on 19 May 2023 and are signed on its behalf by:



**Secretary General**  
**Kenya Red Cross Society**



**Executive Board Member**  
**Kenya Red Cross Society**



**KPMG Kenya**  
**Certified Public Accountants**  
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## 4 Independent Auditor's Report

### To Kenya Red Cross Society (KRCS) Project Management

#### **Opinion**

We have audited the financial statements of the projects funded by Multi donors and implemented by Kenya Red Cross Society (the Projects) set out on pages 7 to 12, which comprise the statement of financial position as at 31 December 2022, and the statement of income and expenditure for the year ended 31 December 2022, and notes to the financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying special purpose financial statements of the Projects as at and for the year ended 31 December 2022 are prepared, in all material respects, in accordance with the basis of accounting described at Note 5.3.1 to the special purpose financial statements.

#### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements* section of our report. We are independent of Kenya Red Cross Society in accordance with the International Ethics Standard Board for Accountant's *Code of Ethics for professional accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the special purpose financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### **Emphasis of matter- basis of accounting and restriction on distribution and use**

We draw attention to Note 5.3.1 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to assist the Project management of Kenya Red Cross Society comply with the KRCS financial reporting provisions. As a result, the special purpose financial statements may not be suitable for another purpose. Our report is intended solely for Kenya Red Cross Society and should not be used by or distributed to parties other than Kenya Red Cross Society. Our opinion is not modified in respect of this matter.

#### **Other information**

Project management is responsible for the other information. The other information comprises the information included in the *Kenya Red Cross Society (KRCS), Multi Donor Projects Special Purpose Financial Statement for the period 1 January 2022 to 31 December 2022* but does not include the special purpose financial statements and our auditor's report thereon.

Our opinion on the special purpose financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the special purpose financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the special purpose financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.



## 4 Independent Auditor's Report

### To Kenya Red Cross Society (KRCS) Project Management (continued)

#### ***Responsibilities of the Management for the Special Purpose Financial Statement***

Management is responsible for the preparation of the special purpose financial statements in accordance with the basis of accounting described in section 5.3.1 to the special purpose financial statements, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, management is responsible for assessing the Projects' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

#### ***Auditor's responsibilities for the audit of the special purpose financial statements***

Our objectives are to obtain reasonable assurance about whether the special purpose financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement 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 special purpose financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Special Purpose 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 our 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;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management; and
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the special purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.

We communicate with Project management, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



*The Engagement Partner responsible for the audit resulting in this independent auditor's report is CPA John Ndunyu, Practicing Certificate No 2100.*

A handwritten signature in blue ink, appearing to be 'John Ndunyu', written over a faint, illegible stamp or background.

*For and on behalf of*

**KPMG Kenya  
Certified Public Accountants  
PO Box 40612, 00100 GPO  
Nairobi**

**Date: 22 May 2023**

## 5 Special purpose financial statements

### 5.1 Statement of income and expenditure for the year ended 31 December 2022

	Notes	2022 KShs	2021 KShs
<b>Income</b>			
Grants and donations	5.3.3	4,641,763,599	2,198,745,883
Other income	5.3.4	137,698,437	105,825,695
Bank interest		<u>3,555</u>	<u>(9,410)</u>
<b>Total income</b>		<b><u>4,779,465,591</u></b>	<b><u>2,304,562,168</u></b>
<b>Expenditure</b>			
Project support cost		209,199,853	105,024,780
Project supplies		1,489,723,625	849,248,882
Personnel cost		1,178,461,135	918,130,828
Travel and communication cost		320,747,917	223,673,976
Motor vehicle expense		436,530,536	240,013,183
Capital expenditure		57,263,560	39,411,000
General office expenses		131,212,122	41,004,066
Workshop and training		162,270,656	165,536,217
Campaign and awareness		56,753,935	33,189,267
Printing and stationery		21,886,015	29,743,823
Bank charges and commission		4,492,015	6,215,891
Professional and Consultancy fees		46,483,832	47,500,576
Branch institutional support		256,768	2,522
Provision for impairment of unaccounted funds		681,728	25,223,871
Provision for bad and doubtful debt		<u>164,432</u>	<u>(42,000)</u>
<b>Total expenditure</b>		<b><u>4,116,128,129</u></b>	<b><u>2,723,876,882</u></b>
<b>Surplus/(Deficit) of income over expenditure</b>	5.3.5	<b><u>663,337,462</u></b>	<b><u>(419,314,714)</u></b>

## 5.2 Statement of Financial Position as at 31 December 2022

	Notes	2022 KShs	2021 KShs
<b>Current assets</b>			
Cash at bank	5.3.6	1,029,610,676	430,861,526
Staff advances		1,607,090	5,500,973
Other receivables		35,678,491	36,624,408
Amount due from branches		-	57,295
Amount due from other projects	5.3.7	<u>606,653</u>	<u>14,023,819</u>
<b>Total assets</b>		<b><u>1,067,502,910</u></b>	<b><u>487,068,021</u></b>
<b>Current liabilities</b>			
Amount due to other projects	5.3.8	( 18,646,846)	( 20,806,678)
Amount due to staff		( 537,168)	( 9,106,587)
Amount due to branches		-	-
Creditors and accruals	5.3.9	<u>( 386,178,097)</u>	<u>(458,351,419)</u>
<b>Total current liabilities</b>		<b><u>( 405,362,111)</u></b>	<b><u>(488,264,684)</u></b>
<b>Net current assets</b>		<b><u>662,140,799</u></b>	<b><u>( 1,196,663)</u></b>
<b>Accumulated Funds</b>			
Balance brought forward		( 1,196,663)	93,539,066
Fund movement		-	324,578,985
Surplus/(Deficit) of income over expenditure	5.3.5	<u>663,337,462</u>	<u>(419,314,714)</u>
<b>At the end of the year</b>		<b><u>662,140,799</u></b>	<b><u>( 1,196,663)</u></b>

The financial statements, on pages 7 to 12 were approved by management on 19 May 2023 and are signed on its behalf by:

  
 \_\_\_\_\_  
**Secretary General**  
**Kenya Red Cross Society**

  
 \_\_\_\_\_  
**Executive Board Member**  
**Kenya Red Cross Society**

The notes on pages 9 to 12 form an integral part of these special purpose financial statements.

## **5.3 Basis of accounting and notes to the special purpose financial statements**

### **5.3.1 Basis of accounting**

The special purpose financial statements of the Projects have been prepared in accordance with the modified cash basis of accounting of Kenya Red Cross Society.

The basis of accounting uses Organizational policies that ensure that receipts and expenses are accounted for in accordance with the basis of accounting policies described at section 5.3.2. The explanatory notes at sections 5.3.3 to section 5.3.9 form part of basis of accounting and preparation of the special purpose financial statements.

### **5.3.2 Significant accounting policies**

**(a) Accounting convention**

The special purpose financial statements have been prepared on a modified cash basis. Modified cash basis of accounting requires income and expenditure to be recognised as and when cash is received and paid respectively and is modified to include accruals. At the reporting date, an accrual is made for expenditure incurred but not yet paid to recognize outstanding obligations.

**(b) Grant Income**

Income is recognized when funds are received. Any unspent funds at the end of the project are refundable to the donor.

**(c) Expenditure**

Expenditure is accounted for on cash basis, modified to accrue for outstanding obligations, if any, at period end.

**(d) Cash at Bank**

Cash at bank is recognised at the face value of amounts in the bank at the reporting date. These amounts represent the excess of income received over expenditure in the period

**(e) Fixed assets**

Fixed assets procured for the Projects are expensed in full on the date of acquisition.

**(f) Creditors and Accruals**

Creditors and accruals are recognised at amounts payable to third parties at the reporting date for goods and services offered to the project.

**(g) Other Receivables**

Other receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end.

**(h) Foreign currency transactions**

Grant income is received in Great Britain Pounds (GBP), EURO, USD , CHF and Local currency (KShs). Donations received are translated to local currency (KShs) using the spot rate ruling on the date of income receipt. Expenditure is incurred in the local currency.

**(i) Amounts due from/to staff**

Amounts due to staff are recognised in the financial statements when an expense is incurred by staff during project implementation but is yet to be reimbursed to the staff as at the end of the financial year.

Amounts due from staff are recognized in the financial statements when cash payments are made to staff as advances for project implementation. The balance at the year-end reflects advances that have not been accounted for and hence receivable from the staff.

**(j) Amount due from/to other projects**

These are amounts advanced to/received from other projects but are yet to be accounted for as at the end of the financial year. These are carried at nominal value.

**(k) Functional and presentation currency**

The special purpose financial statements are presented Kenya Shillings.

**(l) Taxation**

KRCS is exempt from paying income tax.

**(m) Going Concern Basis**

The Projects' implementation periods are between 1 January 2022 to 31 December 2022. Management have prepared the financial statements on a going concern basis considering the unexpired term of some of the projects. The going concern basis assumes the project will continue with its normal operations in the foreseeable future, which is a period of at least 12 months from the date of approval of the special purpose financial statements. Project management believe the project will continue to operate because they expect to receive funds from Multi Donors to meet the projects expenditure based on the signed contracts. Some of the projects are expected to be implemented beyond 31 December 2024.

**(n) Surplus for the year**

Surplus relates to the excess of income over expenditure during the period and is recognised at amounts equal to the residual cash at bank balances after settling all outstanding obligations.

**(o) Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### 5.3.3 Grant income

Grants and donations represent transfers made by Multi- donors during the period 1 January 2022 to 31 December 2022. This is detailed as below.

<b>Donor Name</b>	<b>Amount (Kshs)</b>
Danish Red Cross	325,617,335
Norwegian Red Cross	162,022,053
Finnish Red Cross	266,858,117
Government of Kenya	625,863,000
British Red Cross	354,596,671
International Federation of Red Cross	402,420,786
Other Assorted Donors	266,137,787
AMCROSS	25,785,725
Christoffel Blinden Mission (CBM)	168,281,288
European Union	80,563,921
United States Agency for International Development	959,470,140
International Committee of the Red Cross	282,210,360
United Nation Agencies	<u>721,936,417</u>
<b>Total Grants and donations</b>	<b><u>4,641,763,599</u></b>

### 5.3.4 Other income

Other income relates to income derived from tin collections, sale of tree seedlings, sponsorship, salary recoveries from various projects based on Level of Effort for staff the involved in all the projects and the respective project budgets. This is detailed as below.

<b>Donor Name</b>	<b>Amount (Kshs)</b>
Other Assorted Donors	137,729,931
Government of Kenya	( 44,022)
United Nation Agencies	<u>12,528</u>
<b>Total Other income</b>	<b><u>137,698,437</u></b>

### 5.3.5 Surplus

The balance of KShs 663,337,462 represents surplus of grant income over expenditure for the year ended 31 December 2022. This surplus will be utilized in the subsequent period of 2023 as some of the projects are still ongoing.

### 5.3.6 Cash and bank balances

<b>Description</b>	<b>Amount (KShs)</b>
Cash and bank balance	856,609,828
KRCS M-Pesa Holding account Business No 742300	<u>173,000,848</u>
<b>Total</b>	<b><u>1,029,610,676</u></b>

**5.3.7 Amount due from other projects**

<b>Project Name</b>	<b>Amount (KShs)</b>
Administration Account	<u>606,653</u>
<b>Total</b>	<b><u>606,653</u></b>

**5.3.8 Amounts due to other projects**

<b>Project Name</b>	<b>Amount (KShs)</b>
Administration Account	<u>(18,646,846)</u>
<b>Total</b>	<b><u>(18,646,846)</u></b>

**5.3.9 Creditors and accruals**

<b>Donor Name</b>	<b>Amount (KShs)</b>
Danish Red Cross	( 25,447,340)
Norwegian Red Cross	( 26,072,739)
Finnish Red Cross	( 12,209,987)
Christoffel Blinden Mission (CBM)	( 6,724,342)
Government of Kenya	( 15,355,666)
British Red Cross	( 23,018,831)
Phillips Foundation	( 422,748)
International Federation of Red Cross	( 41,957,726)
Other Assorted Donors	( 88,792,672)
Oxfam International	( 1,681,597)
AMCROSS	( 1,066,822)
European Union	( 8,007,032)
United States Agency for International Development	( 47,139,020)
International Committee of the Red Cross	( 31,307,481)
United Nation Agencies	<u>( 56,974,094)</u>
<b>Total</b>	<b><u>(386,178,097)</u></b>