

REPUBLIC OF KENYA

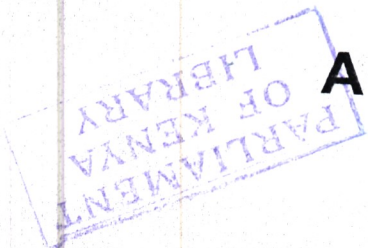


KENYA NATIONAL AUDIT OFFICE

**REPORT OF
THE
AUDITOR-GENERAL**

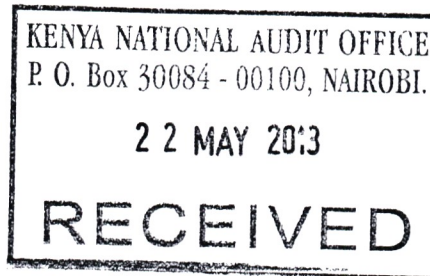
ON

**THE FINANCIAL STATEMENTS OF
NATIONAL HOSPITAL INSURANCE FUND
FOR THE YEAR ENDED
30 JUNE 2012**





Afya Yetu. Bima Yetu



National Hospital Insurance Fund
Audited Annual Report and Financial Statements
for the Year Ended 30th June 2012

Dated 16th May 2013

CORPORATE STATEMENTS

OUR VISION

To be a world class Social Health Insurance Scheme.

OUR MISSION

To provide accessible, affordable, sustainable and quality
Social Health Insurance through effective and efficient utilization
of resources to the satisfaction of stakeholders.

CORPORATE VALUES AND PRINCIPLES

- Responsiveness to customer needs.
- Embrace accountability, transparency and good governance.
- Uphold and conform to acceptable moral standards and positive work ethics.
- Create and promote effective and efficient corporate communications.
 - Ensure provision of quality health services.
 - Equal opportunity employer of choice.

NATIONAL HOSPITAL INSURANCE FUND

- | | | | |
|-----|---------------------------|---|--------------------------|
| 6. | Mr. Thomas Gichuhi | - Association of Kenya Insurers | 8 th May 2012 |
| 7. | Mr. Benson O. Okwaro | - Central Organization of Trade Unions | 8 th May 2012 |
| 8. | Mr. David L Ole Konchella | - Non-Governmental Organizations | 8 th May 2012 |
| 9. | Mr. Elijah A. Onyango | - Kenya National Farmers Union | 8 th May 2012 |
| 10. | Mrs. Jacqueline Mugo | - Federation Of Kenya Employers | 8 th May 2012 |
| 11. | Mrs. Mary W. Ngari | - P. S Ministry of Medical services | 8 th May 2012 |
| 12. | Dr. Judith Bwonya | - Alt Member to P. S Ministry of Medical Services | 8 th May 2012 |
| 13. | Dr. Andrew J Suleh | - Kenya Medical Association | 8 th May 2012 |
| 14. | Dr. Francis Kimani | - Director of Medical Services | 8 th May 2012 |
| 15. | Mr. Richard Kerich | - Secretary/ Chief Executive Officer | 8 th May 2012 |

NATIONAL HOSPITAL INSURANCE FUND

BOARD OF MANAGEMENT REPORT

BACKGROUND INFORMATION

The Board of Management submits its report and the financial statements for the financial year ended 30th June 2012, which unveil the results and general state of affairs of the Fund.

The National Hospital Insurance Fund was established through an Act of Parliament in 1966 with its main objective being to provide healthcare financing to all employed persons. The Fund transformed into a State Corporation through an Act of Parliament No. 9 of 1998.

Over the time, the provision of healthcare financing has been expanded to include self-employed persons and voluntary contributors. The membership of the Fund is open to all residents in Kenya aged 18 years and above and whose income exceeds Kshs. 1,000.00. The cover is household based and caters for the contributor and the declared spouse and children.

PRINCIPAL ACTIVITIES

The core business of the Fund is to provide social health insurance to all our members and their dependants. Social Health Insurance is one of the principal methods of healthcare financing.

BENEFITS EXPENSES

The Fund paid out claims totalling to Kshs. 5,999,769,274 out of the total contributions in the year 2011/2012, against a payout of Kshs. 3,758,427,461 in the previous year 2010/2011. This represents a growth in benefits of 59.6%.

CONTRIBUTIONS (REVENUE)

The contributions from members increased to Kshs. 9,595,592,179 in the current financial year from Kshs 6,628,729,413 in the last financial year. This represents an increase in contribution income of 44.8% compared to the previous financial year 2010/11

NATIONAL HOSPITAL INSURANCE FUND

BOARD OF MANAGEMENT'S RESPONSIBILITIES

It's the responsibility of the Board of management to prepare financial statements that give a true and fair view of the state of affairs of the Fund as at the end of the financial year and of its surplus or deficit for that period.

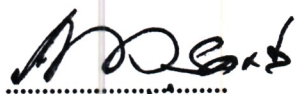
The Board is responsible for keeping proper accounting records, which disclose, with reasonable accuracy the financial position of the Fund. The Board is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, and in conformity with the International Financial Reporting Standards.

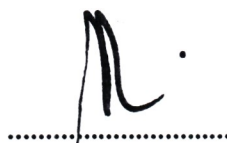
The Board is of the opinion that these financial statements give a true and fair view of the state of the financial affairs of the Fund as at 30th June 2012, and of its surplus for the year then ended. The Board further accepts responsibility for the completeness of the accounting records maintained by the Fund, which have been relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

The Board meets regularly to monitor the Fund's financial Performance. Nothing has come to the attention of the Board of Management to indicate the Fund will not remain a going concern for the next twelve months.

Signed:



CHAIRMAN



CHIEF EXECUTIVE OFFICER



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON NATIONAL HOSPITAL INSURANCE FUND FOR THE YEAR ENDED 30 JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Hospital Insurance Fund set out on pages 8 to 26, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Articles 229(7) of the Constitution of Kenya. The audit was conducted in accordance with

2. Property, Plant and Equipment

- i. Included in the property, plant and equipment balance of Kshs.11,883,376,783 as at 30 June 2012 is land valued at Kshs.298,589,665 which includes an amount of Kshs.93,712,675 in respect of land Ref. No.LR 24968/2 measuring 10 hectares situated at Karen. However, the ownership of this particular parcel of land is in dispute and the matter is pending in a court of law.
- ii. As reported in the previous year, the Fund acquired land in Karen in 2001/2002 at a cost of Kshs.93,712,675 to construct a Resource Centre. According to information available, the then Chief Executive commissioned consultants to carry out a feasibility study on the development of a Resource Centre in the area. The consultants did the work as commissioned and submitted their report together with their fee notes for Kshs.734,524,029.25. As similarly observed in the previous year's report, the fee notes were not, however, honoured by the Fund, apparently because the management had not received prior approval for the works from the parent Ministry. This situation resulted in a dispute which was referred to an arbitration. Further information available indicated that the arbitrator, after reviewing the matter, awarded the consultants a sum of Kshs.352,131,345. Other records showed that the Fund disputed the award and proceeded to the High Court to seek redress. Available records indicated that, the Fund had since paid the consultants a sum of Kshs.407,107,645 representing the principal sum and interest in accordance with the arbitration consent order made in the High Court (Milimani Commercial Court) of 6 April 2009.

A review of the position during the year under review indicates that the property, plant and equipment balance of Kshs.11,883,376,783 as at 30 June 2012 includes work in progress balance of Kshs.902,139,605, which also includes additions for the year of Kshs.63,530,668 that relate to payment for consultancy fee to a consulting firm. However, there was no evidence that the expenditure was in the budget contrary to the State Corporations Act, Cap 446 Section 12 which states that no Corporation shall without the prior approval of the Minister and the Treasury, incur any expenditure for which no provision has been made in an annual estimate prepared and approved in accordance with Section 11.

In the circumstances, the Fund is in breach of the law.

3. Investments in Securities

The provision for impaired investments of Kshs.1,309,236,859 under note 5 to the financial statements includes an amount of Kshs.49.5 million which had been

In the circumstances, it had not been possible to confirm that the provisions balance of Kshs.1,065,045,274 as at 30 June 2012 is fairly stated.

7. Civil Servants Medical Scheme

- i. Included under Note 15 to the financial statements is benefits expenses of Kshs.5,999,769,274 out of which Kshs.2,162,388,709 relate to civil servants medical scheme. On 5 January 2012, the Fund entered into a contract with the Ministry of State for Public Service to offer medical cover to civil servants and disciplined services at a contract sum of Kshs.2,162,273,207 for 6 months broken down into medical cover of Kshs.1,633,947,556, group life and last expense of Kshs.366,155,161 and administration expenses of Kshs.162,170,490. Prior to the signing of the contract, the Ministry of State for Public Service had advertised in the newspapers a tender for provision of medical services. However, the Fund did not bid for the contract as NHIF Act did not mandate the Fund to insure such products and to cover other related risks included in the bid document.

In addition, after further deliberations, the Ministry communicated to the Fund on the Government decision to contract NHIF to offer medical services to civil servants and disciplined forces. The Fund has however not explained how the scheme was to be administered as the Act does not give mandate to undertake the products contained in the contract.

- ii. The contract signed between NHIF and the Ministry of State for Public Service indicated that 219,789 civil servants and disciplined services were to be covered. However, schedules for payments to different health providers accredited to offer services had 211,215 civil servants. The difference of 5,570 has not been explained or reconciliations availed for audit review.
- iii. During the 2nd quarter of April-June 2012, two health providers were suspended by the Board from offering services to civil servants and disciplined services on account of alleged allocation of 43% of the total number of civil servants to clinics owned by the two firms. The Fund has not obtained for audit review independent confirmations from the Ministry on how the two firms obtained the bulk of the civil servants and disciplined services. Consequently, the management wrote to the two health providers letters of termination on 14 June 2012. It is not clear and the management has not explained whether the two firms are currently suspended, or their services were terminated and the likely liability arising out of this situation has not been clearly disclosed in the accounts.

NATIONAL HOSPITAL INSURANCE FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2012

	<u>Notes</u>	<u>2012</u> <u>Kshs</u>	<u>2011</u> <u>Kshs</u>
<u>INCOME</u>			
Contributions	13	9,595,592,179	6,628,729,413
Other Incomes	14	356,983,613	306,409,693
Total Income		9,952,575,792	6,935,139,106
<u>EXPENSES</u>			
Benefits Expenses	15	5,999,769,274	3,758,427,461
Personnel Expenses	16	2,103,365,236	1,801,507,508
Administrative Expenses	17	1,158,976,446	958,442,403
Board Expenses	18	32,871,407	20,711,731
Finance Costs	19	20,088,986	15,820,772
Total Expenses		9,315,071,349	6,554,909,875
Surplus for the year		637,504,443	380,229,231
Less Withholding Tax	20	23,132,421	6,765,043
Net surplus after Tax	21	614,372,022	373,464,188


NATIONAL HOSPITAL INSURANCE FUND

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2012

	<u>Notes</u>	2012 <u>Kshs</u>	2011 <u>Kshs</u>
Non Current Assets			
Property, Plant & Equipment	2(a)	11,883,376,783	11,955,139,144
Intangible assets	2(b)	45,915,797	79,270,005
South B estate mortgage	2(c)	74,944,631	88,620,018
Investments in Equity	6	54,200,000	54,200,000
		<u>12,058,437,211</u>	<u>12,177,229,167</u>
Current Assets			
Trade and Other Receivables	3	597,828,290	305,243,836
Investment in Securities	5	1,968,510,848	1,481,284,422
Cash & Cash equivalent	7	286,207,093	135,925,657
		<u>2,852,546,231</u>	<u>1,922,453,915</u>
TOTAL ASSETS		<u>14,910,983,442</u>	<u>14,099,683,082</u>
Equity			
Accumulated Fund	9	12,209,923,340	12,209,923,340
Surplus Fund	21	1,267,756,047	653,384,025
Total Equity		<u>13,477,679,387</u>	<u>12,863,307,365</u>
Current Liabilities			
Bank Overdraft	8	-	763,343
Trade and Other Payables	10	364,975,161	1,052,691,926
Withholding Tax Payable	11	3,283,620	4,288,018
Provisions	12	1,065,045,274	178,632,430
Total Current Liabilities		<u>1,433,304,055</u>	<u>1,236,375,717</u>
TOTAL EQUITY & LIABILITIES		<u>14,910,983,442</u>	<u>14,099,683,082</u>

The Financial Statements were approved by the Board of Management and signed on its behalf by: -

M. J. Sandoz (Chairman).....  (Signature)

S. Ole Vuyth (Chief Executive Officer).....  (Signature)

NATIONAL HOSPITAL INSURANCE FUND

NATIONAL HOSPITAL INSURANCE FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2012

	Accumulated Fund	Surplus Fund	Total Equity
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
As at 1/07/2010	12,209,923,340*	279,919,837	12,489,843,177
Surplus (2010/11)	-	373,464,188**	373,464,188
At 30/06/2011	12,209,923,340	653,384,025	12,863,307,365
As at 1/07/2011	12,209,923,340	653,384,025	12,863,307,365
Surplus(2011/12)	-	614,372,022	614,372,022
At 30/06/2012	12,209,923,340	1,267,756,047	13,477,679,387

*Accumulated fund brought forward from the year 2010/11 has been restated by Kshs. Kshs. 46,681,586 due to change in the treatment of disposal of south B estate which was sold in the financial year 2006/07. Disposal of south B estate has been transferred from the Property, Plant and equipment and recognised as Mortgage receivable (see note 2 c)

** Surplus for the year 2010/11 has been restated as per IAS 8 from Kshs 330,563,304 to Kshs 373,464,188 owing to reversals of long outstanding invoices and accruals adding up to Kshs 42,900,884. (See note 23).

NATIONAL HOSPITAL INSURANCE FUND

NATIONAL HOSPITAL INSURANCE FUND

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2012

	2012	2011
	<u>Kshs</u>	<u>Kshs</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before Tax & extraordinary items	637,504,443	380,229,231
Adjustments		
Depreciation	232,066,402	228,198,071
Amortization	33,354,208	17,928,618
Less: Gain on Disposal of Fixed Assets	(9,314,555)	(6,127,056)
Interest from investments	(162,315,205)	(66,641,710)
Surplus before working capital changes	731,295,293	553,587,154
(Increase)/Decrease in Trade and other receivables	(292,584,454)	(89,260,229)
Increase / (Decrease) in Trade and other payables	(687,716,765)	251,868,737
Increase / (Decrease) in Provisions	886,412,844	(51,272,571)
Cash generated from operations	(93,888,375)	111,335,937
NET CASH FROM OPERATING ACTIVITIES	637,406,918	664,923,091
CASH FROM INVESTING ACTIVITIES		
Tax Paid	(24,136,819)	(4,035,765)
(Purchase)/Redemption of Investments	(487,226,426)	(202,478,980)
Purchase of Non-current assets	(160,302,840)	(476,508,260)
Purchase of Intangible assets	-	(82,184,623)
Proceeds from sale of Non-current assets	9,313,355	6,212,765
Proceeds from sale of South B estate	13,675,386	13,104,437
Interest Earned from Investments	162,315,205	66,641,710
NET CASH USED IN INVESTING ACTIVITIES	(486,362,139)	(679,248,716)
Net Increase/(Decrease) in cash and cash equivalents	151,044,779	(14,325,625)
Cash and cash Equivalents at the beginning	135,162,314	149,487,939
Cash and cash Equivalents at the end	286,207,093	135,162,314

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR

ENDED 30th JUNE 2012

1. ACCOUNTING POLICIES:

The Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

a) Basis of Preparation

The financial statements are prepared in accordance with International Financial Reporting Standards.

The statements have been prepared on the historical cost convention. The relevant disclosure requirements have been complied with.

b) Revenue Recognition

Revenue is generally recognized in the income statement on accrual basis. Best estimates of what is receivable are included in the accounts.

c) Claims expenses

These are claims paid out to health providers and general claimants arising from hospitalization and any other goods or services incurred by the Fund for the direct benefit of the contributor in approved and accredited hospitals and nursing homes. Claims held in these institutions in respect of the members are recognized in the subsequent accounting period.

d) Other Expenses

These comprise of personnel emoluments, administrative expenses and depreciation charges accrued by the Fund in discharge of its duties during the period under review. The expenses are matched with the revenue arising from the same period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE
2012

g) Contributions

This includes standard contributions as well as self and voluntary contribution by members of the Fund. The amount not paid by the end of the financial year is recognized when there is sufficient degree of certainty that it is collectable and the economic benefits associated with the transaction will flow to the Fund.

h) Taxation

Withholding tax is charged to the financial statement on the basis of the total investments held at the closure of the financial year in accordance with the tax legislation.

i) Computer Software Development Cost

The costs for maintaining computer software programs are recognized as an expense as they are incurred. However expenditure that enhances or extends the benefit of the computer software programs beyond their original value are capitalized. The cumulative value of the software has been recognized as an asset in the current financial year and amortized using straight-line basis over a period of 3 years. Amortization for the year 2011/2012 is illustrated in note 2 (b).

j) Retirement Benefits Obligations:

l) *NHIF Staff Retirement Benefit Scheme*

This is a defined contribution retirement scheme, which is managed by Alexander Forbes Financial Services (E A) Ltd while the custodian is Standard Chartered Bank Kenya Ltd. The contribution to the scheme is by both employer and employee at 12.5 % and 7.5 % of the basic salary respectively.

NATIONAL HOSPITAL INSURANCE FUND

2. (a) PROPERTY PLANT AND EQUIPMENT

ITEM	2011/2012 LAND	2011/2012 BUILDINGS	2011/2012 OFFICE EQUIPMENT	2011/2012 FURNITURE & FIXTURES	2011/2012 MOTOR VEHICLE	2011/2012 COMPUTERS	2011/2012 WORK IN PROGRESS	2011/2012 TOTAL
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
COST								
As at 1/07/2010	298,589,665	9,584,500,374*	214,110,907	1,636,630,186	300,137,393	896,842,110	505,178,392	13,435,989,027
Additions	-	1,531,659	11,547,587	56,810,380	34,904,200	33,351,180	333,430,544	471,575,549**
Disposals	-	-	-	-	(40,467,004)	-	-	(40,467,004)
As at 30/06/2011	298,589,665	9,586,032,033	225,658,494	1,693,440,566	294,574,589	930,193,290	838,608,936	13,867,097,572
DEPRECIATION								
As at 1/07/2010	-	567,394,478	149,754,132	376,973,499	220,292,841	409,726,702	-	1,724,141,652
Charge for the year	-	136,131,817	8,532,473	33,810,934	26,024,765	23,698,081	-	228,198,070
Disposals	-	-	-	-	(40,381,295)	-	-	(40,381,295)
As at 30/06/2011	-	703,526,295	158,286,605	410,784,433	205,936,311	433,424,783	-	1,911,958,427
NBV 30/06/2011	298,589,665	8,882,505,738	67,371,889	1,282,656,133	88,638,278	496,768,507	838,608,936	11,955,139,144
COST								
As at 1/07/2011	298,589,665	9,586,032,033	225,658,494	1,693,440,566	294,574,589	930,193,290	838,608,936	13,867,097,572
Additions	-	-	18,300,102	39,163,291	17,452,944	21,855,835	63,530,668	160,302,840
Disposals	-	-	-	-	(45,548,630)	-	-	(45,548,630)
As at 30/06/2012	298,589,665	9,586,032,033	243,958,596	1,732,603,857	266,478,903	952,049,125	902,139,604	13,981,851,782
DEPRECIATION								
As at 1/07/2011	-	703,526,295	158,286,605	410,784,433	205,936,311	433,424,783	-	1,911,958,427
Charge for the year	-	136,131,817	8,385,838	37,724,885	32,793,208	17,030,654	-	232,066,402
Disposals	-	-	-	-	(45,549,830)	-	-	(45,549,830)
As at 30/06/2012	-	839,658,112	166,672,443	448,509,318	193,179,689	450,455,437	-	2,098,474,999
NBV 30/06/2012	298,589,665	8,746,373,921	77,286,153	1,284,094,539	73,299,214	501,593,688	902,139,604	11,883,376,783

* Cost of buildings as at 1st July 2010 have been restated by Kshs. 148,406,041 as a result of transfer of south B estate from Property, plant and Equipment to South B estate mortgage. (See note 2(c)).

** Additions for the year ended 30th June 2011 have been restated by total of Kshs. 4,932,710 owing to reversal of invoices relating to Work-in-progress, Buildings, Furniture and Computers. (See note 23).

NATIONAL HOSPITAL INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2012

Cont'd		
Rent deposit	8,366,676	8,007,846
Sundry receivables	453,563	37,100
Supplier Advances	4,660,314	4,660,314
Staff Medical Deposit	3,900,000	3,900,000
Rent Receivable	41,131,950	30,890,507
Staff Receivables	4,020,402	5,311,993
Sundry Prepayments	4,221,697	3,231,877
Electricity deposit	1,286,884	1,282,384
Telephone deposit	253,804	253,804
Fuel deposit	150,000	150,000
Letters of credit	85,541,861	4,141,000
Revenue holding Account	11,970,607	11,996,027
Total	597,828,290	305,243,836

4. CONTINGENT ASSET

The Fund has a pending litigation in relation to investment in Equity bank Ltd and Family bank Ltd. As the amount to be awarded by the courts cannot be determined, this contingent asset is hereby disclosed by way of note as per IAS 37.

5. INVESTMENT IN SECURITIES

	2012 Kshs	2011 Kshs
(a). The Performing Investment Portfolio is made up of the following:		
Treasury Bills & bonds	334,000,000	467,500,000
NBK (Call Deposit)	257,481,133	322,000,000
KCB (Call Deposit)	855,000,000	215,000,000
NBK (Car Loan)	52,464,718	51,296,553
Savings & Loans	469,564,997	425,487,869
Sub total	1,968,510,848	1,481,284,422

NATIONAL HOSPITAL INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2012

6. INVESTMENT IN EQUITY

The Fund's balance sheet reflects long-term investments amounting to Kshs. 54,200,000 held in Consolidated Bank of Kenya. The investment portfolio is as follows:

- 2,120,000, 4% Non-cumulative preference shares at Kshs 20 each.
- 590,000 ordinary shares at Kshs 20 each.

7. CASH AND CASH EQUIVALENT

	2012 Kshs	2011 Kshs
Cash in hand	552,735	6,544,901
Cash on transit	778,092	4,721,751
Cash at bank	284,876,266	124,659,005
Total	286,207,093	135,925,657

8. BANK OVERDRAFT

	2012 Kshs	2011 Kshs
Westlands	-	691,137
Kabarnet	-	7,261
Embu	-	17,316
Kitengela	-	47,629
Total	-	763,343

NATIONAL HOSPITAL INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2012

11. WITHHOLDING TAX PAYABLE	2012 Kshs	2011 Kshs
WHT Payable - Investments	3,283,620	4,288,018
12. PROVISIONS	2012 Kshs	2011 Kshs
Provision for renal dialysis consumables	9,861,500	96,523,600
Provision for Audit fees	1,500,000	1,500,000*
Provision for outstanding Contributions	152,730,066	61,494,420
Provision for Imprest not surrendered	1,949,507	2,197,248
Provision for Lost revenue	11,970,607	11,996,027
Provision for civil servants scheme	879,401,565	-
Provisions for Other Doubtful Receivables	7,632,029	4,921,134
Total	1,065,045,274	178,632,430*

Provision of Kshs. 879,401,565 for civil servants scheme was created during the year as per IAS 37 to cater for pending fee for service claims, capitation payments relating to the scheme for various hospitals including Clinix and Meridian hospitals and direct administrative costs.

13. CONTRIBUTIONS

This is recognised in accordance with the NHIF Act, through Standard Contributions and Self Employed contributions:

	2012 Kshs	2011 Kshs
Self Employed	620,518,202	448,392,504
Standard Contribution	6,061,070,147	5,346,335,016
Late Contribution	582,715,785	622,677,290
Penalty	168,899,336	211,324,603
PSC scheme contributions	2,162,388,709	-
Total	9,595,592,179	6,628,729,413

NATIONAL HOSPITAL INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE
2012

16. PERSONNEL EXPENSES	2012 Kshs	2011 Kshs
Basic salary	1,166,597,264	1,000,290,745
Gratuity/Pension Contribution	147,771,252	123,167,193
NSSF Employer Contribution	3,955,200	3,900,200
Other Allowances	785,041,520	674,149,370
Total	2,103,365,236	1,801,507,508

17. ADMINISTRATIVE EXPENSES	2012 Kshs	2011 Kshs
Depreciation Charge	232,066,402	228,198,071
Amortization Charge	33,354,208	17,928,618
Provisions	93,946,541	77,833,672
Audit fees	1,500,000	1,600,000
Other Administrative Expenses	798,109,295	632,882,042
Total	1,158,976,446	958,442,403

18. BOARD EXPENSES	2012 Kshs	2011 Kshs
Sitting allowance	9,446,000	7,006,000
Seminars and Conferences	4,120,179	863,525
Accommodation	6,150,930	4,021,600
Honoraria	960,000	960,000
Mileage and per diem	8,644,772	5,869,316
Lunch allowance & refreshments	1,725,831	649,200
Travel - local	1,823,695	1,342,090
Total	32,871,407	20,711,731

NATIONAL HOSPITAL INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2012

Cont'd

EXPENSES

Group life/ Last Expenses		353,780,198	-
Inpatient cover		402,025,670	-
Outpatient cover		1,244,237,851	-
Administrative expenses		162,344,991	-
Total Expenses	15	2,162,388,709	-
Surplus (Deficit)		-	-

23. PRIOR PERIOD ADJUSTMENTS

The following are prior period adjustments made during the year:

- Adjustments made on the 2010/11 financial year surplus were as result of reversals of long outstanding invoices and accruals, relating to the year ended 30th June 2011.
- Adjustment made on buildings is as a result of transfer of Kshs. 148,406,041 of the buildings from Property, Plant and equipment to South B estate mortgage which was sold to staff in the year 2006/07. (See note 2(c)).

ADJUSTMENTS ON:	2010/11 Surplus	P P & E	TOTAL
Trade creditors	42,800,884	4,932,710	47,733,594
South B estate mortgage	-	148,406,041	148,406,041
Provision for Audit fees	100,000	-	100,000
TOTAL	42,900,884	153,338,751	196,239,635

Adjustment on P P & E	South B estate mortgage	Trade creditors	TOTAL
Work-in-progress	-	416,240	416,240
Buildings	148,406,041	3,174,862	151,580,903
Furniture	-	478,848	478,848
Computers	-	862,760	862,760
TOTAL	148,406,041	4,932,710	153,338,751