

REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KILIFI COUNTY HEALTH SERVICES  
IMPROVEMENT FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

PAPERS LAID	
DATE	25/2/2025
TABLED BY	Majority leader
COMMITTEE	
CLERK AT THE TABLE	Mwalimu



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# COUNTY GOVERNMENT OF KILIFI

## THE KILIFI COUNTY HEALTH SERVICES IMPROVEMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2024

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

**The Kilifi County Health Services Improvement Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

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**1. ACRONYMS AND GLOSSARY OF TERMS**

**a) Acronyms**

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
EMR	Electronic Medical Records

**b) Glossary of Terms**

Fiduciary Management	The key management personnel who had financial responsibility
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**2. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

The Health Services Improvement Fund (HSIF) was established in 2016 by County Assembly of Kilifi through the enactment of the Kilifi County Health Services Improvement Fund Act. The Fund was established to improve health care service delivery.

The Act was gazetted on 19 September 2016. The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya.

The Fund's objective is to improve the quality of health care services in the hospitals in the County Government of Kilifi.

**b) Principal Activities**

The principal activity of the Fund is to;

- a) Provide financial resources for medical supplies and small-scale equipping of Health Services in the county for basic operation and maintenance.
- b) Give decision making autonomy to hospitals to plan and manage the resources within their control.
- c) Support capacity building in the management of hospitals.
- d) Improve the quality of health care services in the hospitals.

**c) Board of Trustees/Fund Administration Committee**

Ref	Name	Position
1	Dr. Gome David Lenga	Chairman
2	Zena Salim	Member
3	Sammy G. Charo	Member
4	Joyce Peshu	Member
5	Dr. David Mulewa	Member

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6	Dr. Hassan Leli	Member
7	Racheal Bahati	Fund Administrator

**d) Key Management Steam**

Ref.	Name	Position
1	Racheal Bahati	Fund Manager/ Administrator
2	Fred Nzai	Fund Accountant

**e) Fiduciary Oversight Arrangements**

SN	Position	Name
1	Director Internal Audit	Keziah Wangui

**f) Registered Offices**

P.O. Box 9-80108  
Kilifi County Health Offices  
Kilifi County Hospital Road  
Kilifi, KENYA

**g) Fund Contacts**

Telephone: (254) 0728818831  
E-mail: [hsifkilifi@gmail.com](mailto:hsifkilifi@gmail.com)  
Website: [www.kilifi.go.ke](http://www.kilifi.go.ke)

**h) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**Key Entity and Management (Continued)**

2. Kenya Commercial Bank  
Kilifi Branch

**i) Independent Auditors**

Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**j) Principal Legal Adviser**


The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**k) County Attorney**


The County Attorney  
Kilifi Plaza  
Hospital Road  
P.O. Box 519-80108  
Kilifi, Kenya

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**3. BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE**

Name	Details of qualifications and experience
	<p><b>Dr. Gome David Lenga</b>  <b>Date of Birth 10th April 1970</b>  <b>Chairperson</b></p> <p>Dr. Gome Lenga was appointed as HSIF Board Chairman on 7th February 2023. He has over twenty-five years of experience in Medical Service and Management. He has held management positions in medical service provision in different organizations and currently works at Kenya Ports Authority as the Manager Medical Services. Dr. Gome Lenga has expertise in surgery, health planning and management and research. From 2022 he is serving as the Principal Surgeon of St John Ambulance Kenya and a Board Chair Person of Special Olympics Kenya. He served as President of the Surgical Society of Kenya for a 2-year term, and as a Medical Advisory Committee (MAC) member for Special Olympics International for 6 years.</p> <p>He is a member of the Kenya Medical Association, Surgical Society of Kenya, International AIDS Society,</p>


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Name	Details of qualifications and experience
	<p>International Cleft Palate Foundation, the Institute of Directors and the International Commission on Occupational Health.</p> <p>Dr. Gome Lenga has a Master's in Business Administration - Healthcare Management, Master's in Occupational Safety and Health a Master's of Medicine in Surgery, and numerous certificates of advanced training from Kenyan and international institutions.</p>
	<p><b>Sammy G. Charo</b></p> <p><b>Date of birth 25 March 1956</b></p> <p><b>Member</b></p> <p>Mr. Sammy Gona was appointed as HSIF Board Member on 9 March 2018. Sammy Gona retired as a teacher from Mwandaza Primary School on June 30th, 2021. Mr. Sammy Gona has also been the director of the Information Resource Initiative for Blind (IRIB). A registered CBO for the visual impaired. As a board member Gona represent People with Disability (PWD). He holds PI Certificate Education from High ridge teacher's college Nairobi, Bachelors of Arts in Biblical Studies from Word Outreach Biblical College</p>

**The Kilifi County Health Services Improvement Fund  
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Name	Details of qualifications and experience
	and also Community Nursing MTC Coast General.
	<p><b>Zena Salim</b>  <b>20 April 1958</b>  <b>Member</b></p> <p>Zena Salim was appointed as HSIF Board Member on 28 October 2021. She has been able to lead significant education and health projects over the past ten years as a philanthropist and public liaison officer, including the Girls Education Challenge (GEC), which is funded by DFID, and Tackling Commercial Sexual Exploitation of Children (TCSEC), which is implemented in Kilifi and Kwale counties.</p> <p>She has extensive experience in managing public finances and has held leadership positions on a number of boards, including the Water Board, Kilifi North Land Control Board, and Kilifi Municipality Boards.</p> <p>She was given two Presidential Awards by the late H.E. Mwai Kibaki and the outgoing president H.E. Uhuru Kenyatta.</p>



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Name	Details of qualifications and experience
	<p>She is one of the founders of Kesho Kenya, a non-governmental organisation that empowers youngsters through education, entrepreneurship training and safeguarding in Kenya's coastal region. As a board member Zena Sallim represents the women. Zena Salim has Certificate in Child Counselling, Kenya Association of Professional Counsellors and a Diploma in Art and Craft, Nairobi.</p>
	<p>Ms. Joyce Peshu was appointed as HSIF Board Member on 9 March 2018. Ms. Peshu is currently working Kenya Wildlife Conservancies Association as a Programs Officer-Social inclusion and Gender. Her work focuses on inclusion of women, youth and men in the governance and management of conservancies. Joyce also takes a lead role of advocating for gender responsive policy decisions in the convention for biological diversity. She has previously worked with VSO for the last 5 years both in country and globally, she also has experience in supporting community-based organization towards actualizing their</p>

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Name	Details of qualifications and experience
	<p>vision. As a board member Ms. Peshu represents the youth.</p> <p>She is currently pursuing a Master's in Project Planning and Management in University of Nairobi and Holds a Bachelor of Science in Microbiology from Moi University. Joyce has certification in project management for development professionals (PMD Pro)</p>
	<p><b>Dr. David Mulewa</b>  <b>Date of birth 24 April 1973</b>  <b>Chief officer Medical Services and Sanitation.</b></p> <p>Dr David Mulewa was appointed as HSIF Board Member on September 2019. Dr. David Mulewa was the County Director of Health in the Department and is currently the Chief Officer Medical Services and Sanitation. He worked in Lamu County since 2013 as Director of Health and later transferred to Kilifi on September 2019. Dr. Mulewa has 17 years' professional experience in Ministry of Health. He holds MD Physician from Vinnitsa State Medical University Ukraine and a Master's Degree in</p>

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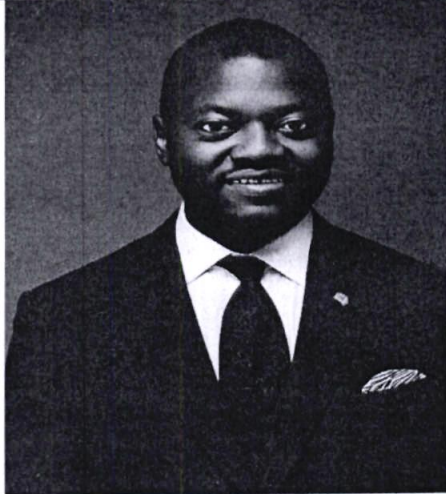
Name	Details of qualifications and experience
	Health System Management and Application from Kenyatta University.
	<p><b>Dr. Hassan Leli</b>  <b>Date of birth 31<sup>st</sup> October 1987</b>  <b>Ag. County Director Health Services and Sanitation.</b></p> <p>Dr Hassan Leli was appointed as a HSIF Board Member on September 2022. Dr. Hassan Leli is the Acting County Director of Health in the Department. Dr. Leli has 11 years professional experience in the County Department of Health. He holds a Doctor of Pharmacy degree from Gomal University Pakistan and a Master's Degree in Public Health from Pwani University.</p>
	<p><b>CPA Racheal Bahati</b>  <b>Date of birth 31 May 1984</b>  <b>Fund Administrator.</b></p> <p>CPA Racheal Bahati was appointed as the Fund Administrator on 13 February 2019. Racheal is a Senior Accountant at County Government of Kilifi. She has over ten years' professional experience as an Accountant. She holds Bachelor of Commerce (Accounting) from The</p>

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<b>Name</b>	<b>Details of qualifications and experience</b>
	University of Nairobi and also a Certified Public Accountant (CPA). Racheal has MBA (Finance) from The University of Nairobi.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
	<p><b>CPA Racheal Bahati</b></p> <p><b>Date of birth 31 May 1984</b></p> <p><b>Fund Administrator.</b></p> <p>CPA Racheal Bahati was appointed as the Fund Administrator on 13 February 2019. Racheal is a Senior Accountant at County Government of Kilifi. She has over ten years’ professional experience as an Accountant. She holds Bachelor of Commerce (Accounting) from The University of Nairobi and also a Certified Public Accountant (CPA). Racheal has MBA (Finance) from The University of Nairobi.</p>
	<p><b>Fred Nzai</b></p> <p><b>Date of birth 20 April 1988</b></p> <p><b>Fund Accountant</b></p> <p>Fred Nzai was appointed as the Fund accountant on 1 November 2022. Fred has more than ten years’ experience as an accomplished accountant with strong background in Tax and Tax health checks and Internal control systems, Fred is currently an accountant at the County Government of Kilifi. He holds a Masters of Business Administration (Finance Major) and also a Certified Public Accountant – Kenya.</p>

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**5. BOARD CHAIRPERSON'S REPORT**

It is my pleasure to present, on behalf of the board Members, the HSIF financial statements for the year ended 30 June 2024. The financial statements present the financial performance of the Fund over the past year.

**Sustainability.**

The Fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its revenue collections and improvement of health service delivery in hospital with an objective of ensuring that the Fund's going concern is secured. The Fund has recently invested heavily in terms of procurement of equipment, health products and, new infrastructure which will create adequate space for expansion of services. The newly established specialized services will not only boost the revenue, but also tap in more resources from partners who are interested in investing and utilizing our facilities to facilitate research as well as promoting medical tourism.

The EMR system has been successfully installed at Kilifi Hospital and is being rolled out in phases. Other hospitals are in the process of ensuring they have the necessary hardware in place before the installation can proceed. In the meantime, hospitals are continuing to use their existing EMR systems to enhance revenue collection and maintain accountability for payments related to services provided.. This will in turn have a ripple effect on sustainability of the Fund, since it is entirely dependent on payments for services rendered to clients both cash and risk pooling through Insurances.

Currently, the Fund has established hospital collections through MPESA Pay bill numbers and has gone cashless. The collection system has greatly improved revenue and assured the Fund of its long-term sustainability. Once the EMR system is fully rolled out to the other hospitals and integrated with the existing collection methods, revenue collection will not only improve but also become more reliable and secure. Every service provided will be captured in the system, ensuring that no service goes unregistered, and payment is automatically recorded once the service is logged.

## **BOARD CHAIRPERSON'S REPORT (CONTINUED)**

### **Board and Management Changes**

The County Department of Health Services is highly committed to establishing and maintaining effective management structures. This dedication is driven by the goal of promoting sound management practices that will ensure the sustainability of the hospitals. Among the key components of the Leadership and Governance framework is the County Health Sector Improvement Fund Board. The individuals serving on this board are officially appointed and serve renewable three-year terms.

During the specified period, there were no changes in the composition of the board.

### **Review of performance**

#### **Income**

The total fund revenue for the FY 2023/2024 amounted to Kshs. 474,488,060.00, which represents the revenue collected from hospitals during this period

#### **Expenditures**

The total expenditures during the period amounted to Kshs. 473,712,532 out of which the administration expenses amounted to Kshs. 1,193,765 general expenses Kshs. 37,699,215 and transfer to the sub county hospitals 434,819,552.00 representing 0.25% , 8.37% and 91.38% of total expenditures respectively.

#### **Future outlook**

The outlook for the Fund in the upcoming fiscal year 2024/2025 appears optimistic. The Fund's primary objective is to enhance the delivery of healthcare services within hospitals while also allocating financial resources for the procurement of medical supplies and the small-scale equipping of County Health Services facilities to ensure basic operational capability and maintenance. Implementing accreditation systems and quality control measures can help in maintaining and improving the quality of healthcare services

The Fund's central focus is on establishing a resilient and sustainable health facilities with a motivated workforce and efficient structures that will significantly enhance service delivery. The

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**BOARD CHAIRPERSON'S REPORT (CONTINUED)**

Fund anticipates ongoing support from the county government and development partners to fulfil its mission and mandate effectively.

**Conclusion**

I take this opportunity to express my sincere gratitude and appreciation to the county government, stakeholders, management, staff, and fellow board members for their continued support which made us achieve these results.

I look forward to your continued support in the future.

Name... DR GOME LENGA ..... Signature...  ..... Date... 4/12/20 .....

Chairperson of the Board/Fund

**The Kilifi County Health Services Improvement Fund  
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**6. REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present the Health Service Improvement Fund financial statements for the year ended 30 June 2024. The financial statements present the financial performance of the Fund for the financial year 2023/2024.

The Fund was established on 19 September 2016. However, operationalization of the Fund commenced on 31 January 2020 after approval of the budget by the HSIF board. The approved budget for the Fund in FY 2023/2024 was Kshs. 499,236,816 . During the financial year the Fund received revenue of Kshs 474,488,060.00 by the end of the financial year June 2024.

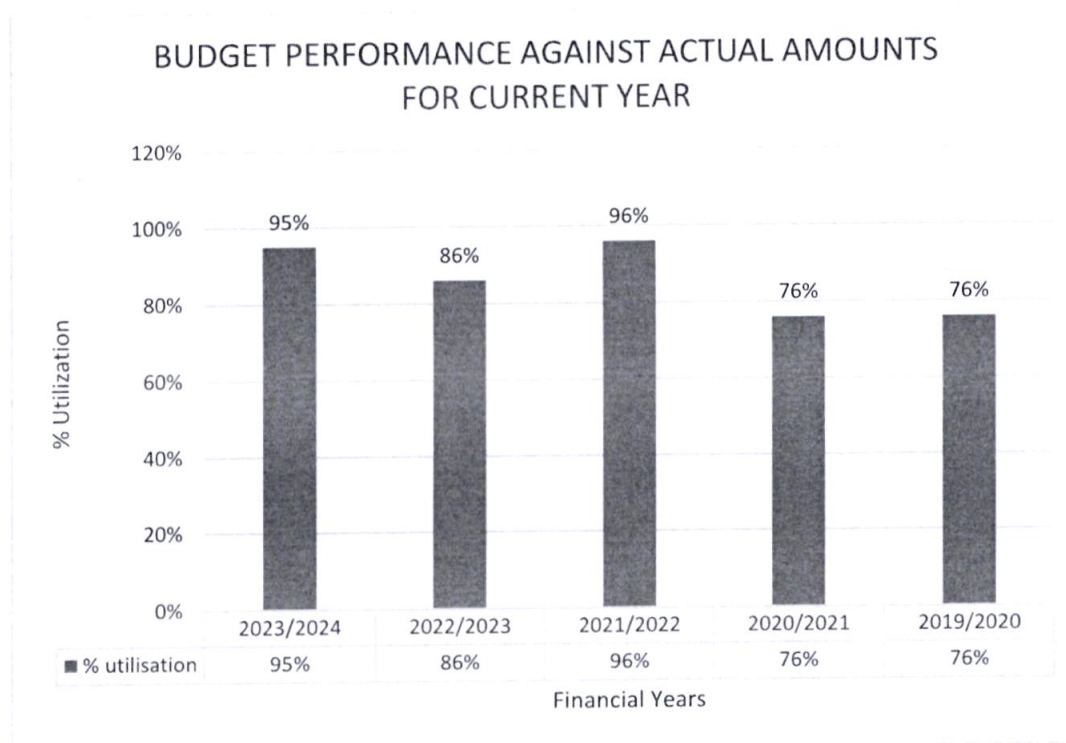
**BUDGET ALLOCATION**

In the year ended 30 June 2024, the Fund had projected revenues of Kshs 499,236,816 of which Kshs 474,488,060.00 was realised by Hospital collection revenue. This represented 95% revenue realization during the financial year.

<b>Financial Year</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% utilisation</b>
2023/2024	499,236,816	474,488,060	24,748,756	95%
2022/2023	487,026,687	419,539,632	67,487,055	86%
2021/2022	418,426,159	402,699,307	15,726,852	96%
2020/2021	197,346,442	150,000,000	47,346,442	76%
2019/2020	132,000,000	100,910,677	31,089,323	76%

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**REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)**



Graphical representation of budget performance against actual amounts for current year and for cumulative.

**Key Performance Highlights**

Below is an overview of the financial performance for the year ended 30th June 2024 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements.

**Financial Performance Summary**

**Current Year Performance against Prior Year**

	<b>FY2023/2024</b> <b>KShs</b>	<b>FY2022/2023</b> <b>KShs</b>	<b>Change</b>	<b>% Change</b>
<b>Total revenue</b>	<b>474,488,060</b>	<b>419,539,632</b>	<b>54,948,428</b>	<b>12%</b>
<b>Total expenses</b>	<b>473,712,532</b>	<b>418,484,370</b>	<b>55,228,162</b>	<b>12%</b>

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**REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)**

There was a 12% rise in total receipts, primarily driven by increased funding from transfers originating from FIF revenue collections. Concurrently, a 12% increase in payments can be attributed to the increased funding and the carryover of cash balances from the prior year.

**Revenue**

	Note	2023/2024	2022/2023		
		KShs	KShs	CHANGE	% CHANGE
<b>Revenue from non-exchange transactions</b>					
Transfers from County Governments		-	25,932,178	-25,932,178	-
Transfers from FIF Revenue	1	474,488,060	393,607,454	80,880,606	17%
<b>Total revenue</b>		<b>474,488,060</b>	<b>419,539,632</b>	<b>54,948,428</b>	<b>12%</b>

A graphical representation of the revenue budget is as shown below:



The Fund received 100% of its revenue from FIF as depicted above.

**Budget Utilisation**

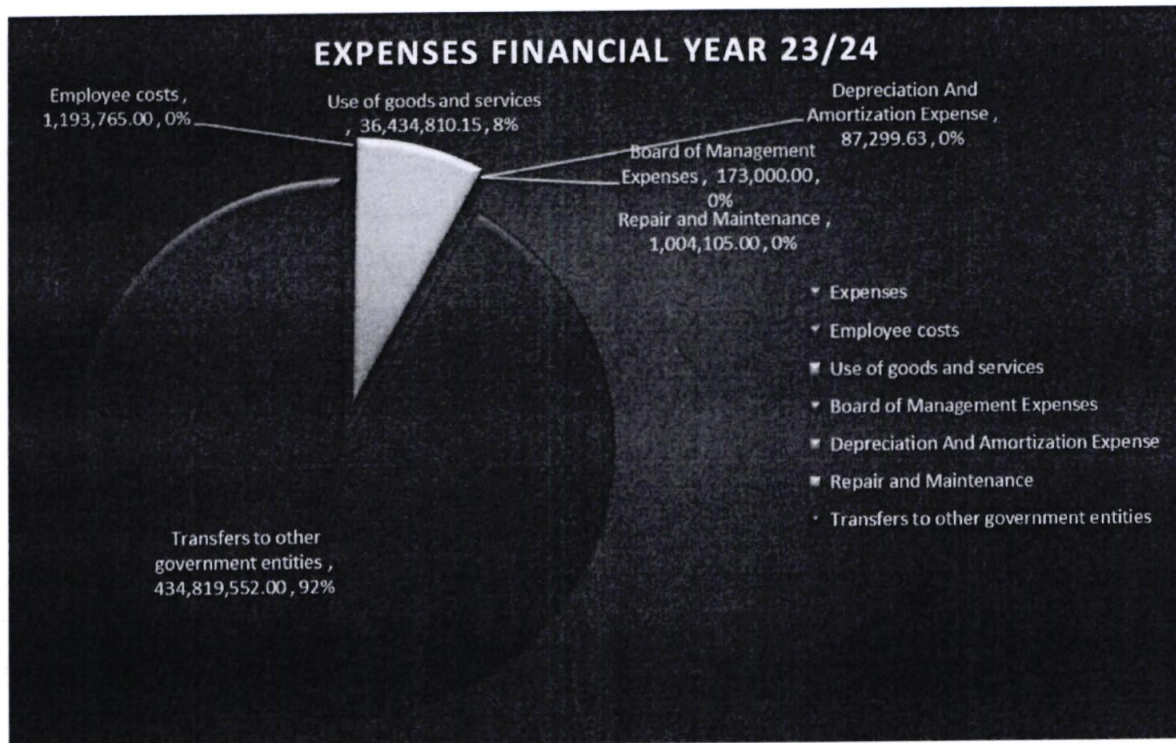
The Fund spent Kshs. 473,712,532 against an approved budget of Kshs. 499,236,816 representing absorption of 95%. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

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**REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)**  
**A tabular representation of budget utilization for FY 24-25**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	Jul-23		Jun-24	Jun-24	Jun-24	Jun-24
<b>Expenses</b>						
Employee costs	102,000	1,094,000	1,196,000	1,193,765	2,235	100%
Use of goods and services	22,479,797	13,969,092	36,448,889	36,434,810	14,079	100%
Board of Management Expenses	175,000	0	175,000	173,000	2,000	99%
Depreciation And Amortization Expense	500,000	3,156,500	3,656,500	87,300	3,569,200	2%
Repair and Maintenance	6,230,000	(5,223,500)	1,006,500	1,004,105	2,395	100%
Transfers to other government entities	391,863,209	64,890,718	456,753,928	434,819,552	21,934,376	95%
<b>Total expenditure</b>	<b>421,350,006</b>	<b>77,886,810</b>	<b>499,236,817</b>	<b>473,712,532</b>	<b>25,524,285</b>	<b>95%</b>

A graphical representation of expenditure for the financial year 23/24



**Financial Assets Summary**

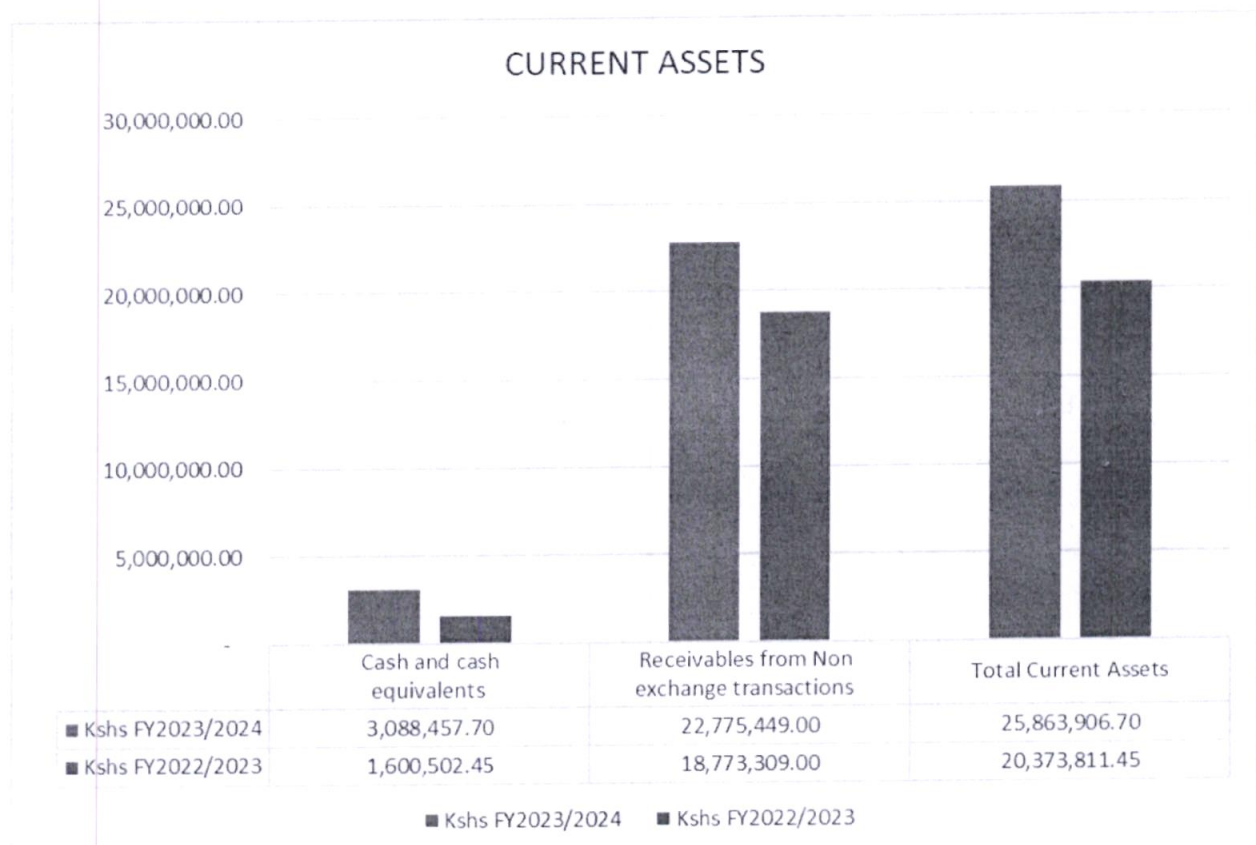
	Note	FY2023/2024	FY2022/2023
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	3,088,457.70	1,600,502.45
Receivables from Non exchange transactions	9	22,775,449.00	18,773,309.00
<b>Total Current Assets</b>		<b>25,863,906.70</b>	<b>20,373,811.45</b>

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**REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)**

The percentage increase in the fiscal year 2023/2024 compared to 2022/2023 is as below, this due to the health facilities implementing enhanced revenue collection strategies, leading to higher bank balances by the end of the fiscal year. Also revenue expected by 30th June 2023, FY 2022/2023 was recognized in the current fiscal year, contributing to the higher receivables.

- **Cash and cash equivalents increased by 92.97%.**
- **Receivables from non-exchange transactions increased by 21.32%**



**Value for Money Achievements**

The Health Service Improvement Fund has demonstrated significant value-for-money achievements through various initiatives and investments. Some of these achievements include:

- **Enhanced Healthcare Access:** The fund has facilitated increased access to healthcare services for a larger portion of the population. This is achieved by improving and expanding

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**REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)**

healthcare infrastructure, including the construction of new health facilities and the refurbishment of existing ones. As a result, more people can receive essential medical care closer to their communities.

- **Efficient Resource Allocation:** The fund has focused on optimizing the allocation of resources within the healthcare system. This includes efficient procurement practices, which have lowered the cost of medical supplies and equipment, ensuring that available funds are used effectively to benefit patients.
- **Financial Sustainability:** By implementing revenue enhancement strategies such as digitalization of hospital systems, the fund has helped health facilities become more financially sustainable. This enables them to generate revenue internally, reducing reliance on external funding sources.
- **Capacity Building:** The fund has invested in the training and development of healthcare professionals, leading to a more skilled and competent workforce. This not only improves the quality of care but also reduces the need to hire expensive external consultants or personnel.
- **Transparency and Accountability:** The fund has demonstrated a commitment to transparency and accountability in its operations. This ensures that funds are used efficiently and that there is a clear and open reporting mechanism for stakeholders to monitor progress and outcomes.

Overall, the Health Service Improvement Fund has demonstrated a strong commitment to achieving value for money by ensuring that every investment and initiative contributes to the improvement of healthcare services and outcomes for the population it serves.

**REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)**

**Implementation challenges of strategic objectives for the Health Service Improvement Fund and the entity's future outlook**

- **Resource Constraints:** Limited financial resources can hinder the effective implementation of strategic objectives. Expanding healthcare infrastructure, acquiring advanced medical equipment, and training healthcare personnel often require substantial investments.
- **Technology Adoption:** Implementing new healthcare technologies and systems, such as Electronic Medical Records (EMR) systems, can be complex and require extensive training for staff. Resistance to change from healthcare providers can also be a challenge
- **Policy and Regulatory Framework:** Adhering to and aligning with national and regional healthcare policies and regulations can pose challenges, especially if there are conflicting mandates or regulatory gaps.
- **Political and Administrative Changes:** Shifts in government leadership, policies, or administrative structures can impact the continuity and direction of healthcare projects.

**Entity's Future Outlook:**

The budget allocation for the upcoming fiscal year amounts to Kshs. **509,571,114**, with a designated portion allocated to Health facilities. Our objective is to allocate 30% of this allocation towards renovating and maintaining buildings within the health facilities, aiming to enhance and uplift the overall structural condition of these healthcare facilities.

- **Sustainability:** Ensuring the long-term sustainability of the Health Service Improvement Fund will be a key focus. This involves exploring diverse funding sources and developing revenue-generating strategies within the healthcare system.
- **Technology Integration:** Continued investment in technology and data-driven healthcare solutions will be critical for improving patient care, streamlining operations, and enhancing efficiency.

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**REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)**

- **Public-Private Partnerships:** Exploring collaborations with the private sector and non-governmental organizations can expand the fund's capacity to deliver healthcare services and improve overall outcomes

**Key risk management strategies for the Health Services Improvement Fund include:**

- **Internal Audit:** Regularly assess and identify potential risks to the fund's operations, including financial, operational, and strategic risks. This involves conducting comprehensive internal control and assessments to understand the nature and impact of various threats.
- **Diversification of Funding Sources:** Reduce reliance on a single funding source by diversifying revenue streams. This can include seeking support from government allocations, donor funding, grants, and private-sector partnerships to mitigate financial risks.
- **Legal Compliance:** Stay informed about relevant laws and regulations affecting healthcare operations and funding. Ensure compliance with all legal requirements to minimize legal and regulatory risks.
- **Capacity Building:** Invest in staff training and development to build the skills and expertise needed to identify, assess, and manage risks effectively. This includes training on risk management best practices.
- **Strategic Partnerships:** Collaborate with strategic partners, including government agencies, healthcare providers, and non-governmental organizations, to leverage expertise, resources, and support in risk management and mitigation.

**Conclusion**

The fiscal year 2023/2024 can be characterized as generally positive. Substantial progress was achieved, and this progress has set the stage for the Health Service Improvement Fund to maintain a path toward prosperity. We have identified specific areas for improvement, with a particular emphasis on the digitization of all hospitals through the acquisition and phased installation of an

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Electronic Medical Records (EMR) system. This initiative is expected to enhance hospital revenue collection and elevate the quality-of-service delivery in the upcoming years.

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**7. STATEMENT OF PERFORMANCE AGAINST THE COUNTY FUND'S  
PREDETERMINED OBJECTIVES**

**Introduction**

Section 164 (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 County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Health Service Improvement Fund 2024-2029 plan are to:

- a) Provide financial resources for medical supplies and small-scale equipping of Health Services in the county for basic operation and maintenance.
- b) Give decision making autonomy to hospitals to plan and manage the resources within their control.
- c) Support capacity building in the management of hospitals.
- d) Improve the quality of health care services in the hospitals.

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**STATEMENT OF PERFORMANCE AGAINST THE COUNTY FUND'S  
PREDETERMINED OBJECTIVES (CONTINUED)**

**Progress on attainment of Strategic development objectives.**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicators</b>	<b>Performance</b>
Financial Resources	Provide financial resources for medical supplies and small-scale equipping of Health Services in the county for basic operation and maintenance.	Increased availability of medical supplies, improved equipment in health services and integration of the EMR system	Budget allocation and expenditure for supplies and equipment.  Number of health facilities with EMR systems installed and in use for patient and financial record management.	The allocated funds have been utilized for the acquisition of medical supplies and equipment, and the focus was on ensuring optimal resource utilization while minimizing any wastage.  Successful installation of EMR systems in Kilifi County Referral Hospital pending roll out to the rest of the hospitals
Decision Making Autonomy	Give decision-making autonomy to hospitals to plan and manage the resources within their control.	Enhanced hospital autonomy in resource allocation and management.	Implementation of hospital-level budgeting and decision-making processes.	Decision making autonomy in hospitals enabled them to allocate resources based on their specific needs, priorities, and patient demographics, leading to more efficient resource utilization.
Capacity Building	Support capacity building in the management of hospitals.	Improved hospital management skills and practices.	Number of staff trained and progress in implementing best practices.	There was a significant enhancement in the competencies and expertise of staff members due to training initiatives, resulting in their proficient application of best practices.
Quality Improvement	Improve the quality of health care services in the hospitals.	Enhanced patient care and satisfaction, reduced medical errors.	Patient satisfaction surveys, reduced error rates, and clinical audits.	Performance measurements were transparently communicated to board members and that accountability measures

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				are in place to address areas that need improvement.
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## **8. CORPORATE GOVERNANCE STATEMENT**

### **THE BOARD**

The Kilifi County Health Services Improvement Fund was established in 2016 by County Assembly of Kilifi through enactment of the Kilifi County Health Services Improvement Fund Act.

The Fund was established for the improvement of health care service delivery in the county of Kilifi. The board has a mandate to provide oversight of the administration of the funds drawn from the Fund.

### **THE BOARD MEMBERS**

The Act of 2016 provides that the board shall be made up of seven members, including the chairman appointed by the Governor, the Chief Officer Health Services, the Fund Administrator appointed by the County Treasury, the County Director of Health Services, and three other persons who shall be appointed by the Executive Member. The board is responsible for the long-term strategic direction. The board members' exercises leadership, enterprise, integrity and judgment in directing the Fund.

The board members are provided with full, appropriate and timely information that enable them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day operations of the Fund is delegated to the Fund administrator but the board members are responsible for establishing and maintaining the Fund's system of internal controls for the realization of its mandate of providing financial support. The Fund Act was established on 19<sup>th</sup> September 2016. However, operationalization of the Fund commenced on 31<sup>st</sup> January 2020 this was due to the fact that by then the selection process for the board members had been completed, appointments had been done. Gazettement of board members was done and also training of the members which is a critical component as well as the members TORs.

During this fiscal year, there were no changes in the composition of the board.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**BOARDS SUCCESSION PLAN**

The HSIF Act 2016 under which this Fund is administered does not capture succession plan and the reason is that as provided in the criteria of selection of the Board members, after the expiry of the mandate of the board members which is 3 years after which a member can be re-appointed for another one maximum term for 3 years. The board membership therefore, is not a permanent job that would warrant a succession plan to be put in place for anticipation and preparation for a member's retirement in order not to create a gap post retirement.

The procedure for board member's selection, appointment and gazettelement is very elaborate after expiry of the mandate and therefore a succession plan is not considered within this act.

**PROCESS OF APPOINTMENT AND REMOVAL OF TRUSTEES**

The chairperson and members of the Committee appointed shall hold office for a term of three years and shall be eligible for reappointment for one further term.

A member shall vacate his/her position as a member of the Management Committee if he/she;

- a) is absent from three (3) consecutive meetings of the committee;
- b) violates Chapter 6 of the Constitution;
- c) ceases to be a resident of Kilifi County or Sub-County or work in the area of Hospital Jurisdiction;
- d) voluntarily resigns from committee; and
- e) Dies
- f) is so incapacitated by prolonged physical or mental illness as to be unable to attend and discharge his/her duties

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**BOARD MEETINGS**

The board members convene on a quarterly basis or as necessary to oversee the Fund's strategic plan's execution and ensure the accomplishment of performance contract objectives. Furthermore, the board members assume an oversight role concerning all additional financial and operational matters. The board held four (4) full board during the FY 2023/2024 with all members participating.

**FUNCTIONS OF THE FUND BOARD**

The Fund Board shall: -

- a) Provide oversight of the administration of the moneys drawn from the Fund.
- b) Mobilize resources for the Fund.
- c) Provide guidance to the management Fund Boards on: -
  - i. Proposals on user fees where the management Fund Board seeks to propose new user fees or changes to the old fees structure.
  - ii. Disciplinary matters including but not limited to theft of funds, spending of revenue at source, spending without proper authorization, fraud, abuse of powers of exemptions and waivers.
  - iii. Monitor the performance of the hospital management Fund Boards.
  - iv. Receive reports from the management Fund Boards for its consideration and adoption.
  - v. Develop criteria for the granting of waivers and exemptions.

**RESPONSIBILITIES OF THE FUND BOARD**

In administering the Fund, the Fund Board shall have the following responsibilities: -

- a) Prepare, sign and transmit to the County Auditor in respect of each financial year and within three months after the end thereof, a statement of account relating to the Fund

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

specifying all contributions to the Fund and the expenditure incurred from the Fund, and such details as the County Treasury may from time to time direct, in accordance with the provisions of the Public Audit Act.

- b) Furnish such additional information as may be required that is proper and sufficient for the purpose of examination and audit by the County Auditor in accordance with the provisions of the Public Audit Act.
- c) Develop the criteria for the allocation of funds for approval.
- d) Prepare annual distribution of resources by health Services.
- e) Impose conditions on the use of expenditure authorized and may impose any reasonable prohibition, restriction or other requirement concerning such use of expenditure.
- f) Institute prudent measures for the proper utilization for monies deposited in the Fund using suitable internal controls and appropriate mechanism for accountability including audit of accounts by internal auditors of the department responsible for matters relating to finance.
- g) Cause to be kept proper books of accounts and records relating to all receipts, payments, assets and liabilities of the Fund and to any other activities and undertakings financed by the Fund.

**INDUCTION AND TRAINING**

In collaboration with the Kilifi County Department of Health Services and key partners, the Health Services Improvement Fund (HSIF) successfully conducted a week-long induction program for newly appointed hospital board members. The program was meticulously designed to familiarize the board members with the hospital's operational procedures, governance structure, and strategic goals. This training is being conducted in phases, and the induction of the next group of board members is scheduled for a later stage.

The primary aim of this training is to equip the participants with a deeper understanding of the healthcare sector's background and the laws, rules, and regulations governing these services. This

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

knowledge is intended to contribute to improved accessibility, accountability, and the effective utilization of resources.

The training program will facilitate the acquisition of knowledge and skills related to leadership, management, and governance roles and responsibilities. This, in turn, will enable the board members to effectively support the management of healthcare facility resources. Additionally, participants will be equipped with essential knowledge and skills regarding the fundamentals of healthcare facility planning, including the planning cycle. They will also be prepared to oversee the management of financial resources within the healthcare facility, with a focus on ensuring robust internal controls and effective financial risk management.

Moreover, the board members will gain proficiency in supporting healthcare facility staff in delivering high-quality healthcare services, ultimately leading to improved health outcomes within the community. The training will also cover strategies for resource mobilization and effective resource management, vital components for enhancing service delivery at healthcare facilities.

### **BOARD AND MEMBER PERFORMANCE**

#### **Internal Control**

The board members are responsible for reviewing the effectiveness of the Fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

#### **Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Internal Control Framework**

The Fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis.

**Management Team**

The management team headed by the Fund Administrator implements the board decisions through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

**CONFLICT OF INTEREST**

There is an absence of any conflict of interest within the board.

**BOARD REMUNERATION**

Board members receive their compensation in accordance with the guidelines established by the Salary and Remuneration Committee (SRC).

**ETHICS, CONDUCT AND GOVERNANCE AUDIT**

The Fund is audited by the Auditor-General.

**9. MANAGEMENT DISCUSSION AND ANALYSIS**

The Fund is in its inception stages with potential to grow over the years. The management and board are putting measures in place to safeguard funds against risks. The Fund's operations expose it to a variety of financial risks including revenue target shortfalls and unexpected pandemics.

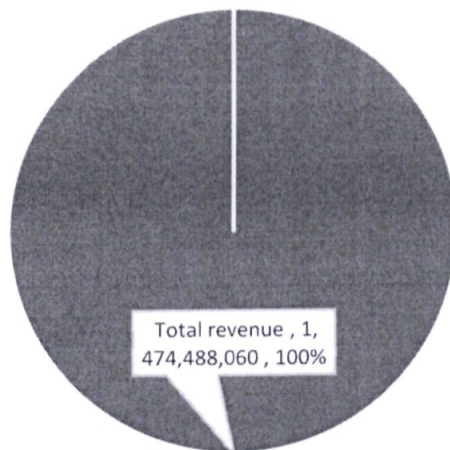
The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The management has ensured that the Fund complies with statutory requirements relating to the functions of the Fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

**Revenue**

The Fund earned revenues amounting to Ksh. 474,488,060 from the Hospitals collection. The board and management of the Fund are looking to its funding from the Hospitals revenue collection while also engaging other development partners to ensure its sustainability and success.

REVENUE FINANCIAL YEAR 2023/2024



■ 1

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**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**Major risks facing the Fund**

1. **Fluctuations in Revenue:** The fund's income may fluctuate due to variations in user fee collection and reimbursement rates from NHIF, impacting its financial stability and ability to support healthcare initiatives consistently.
2. **Economic Downturn:** Economic downturns can lead to decreased affordability of healthcare services for individuals, potentially reducing user fee collection and NHIF reimbursements.
3. **Technological Challenges:** Rapid technological advancements in healthcare may require significant investments in new technologies, posing financial and operational challenges for the fund.
4. **Sustainability:** Ensuring that healthcare improvement projects remain sustainable and continue to deliver benefits in the long term can be challenging.

**Conclusion**

We express our gratitude for the continuous support received from the board members, management, staff, the County Government, development partners, and all essential stakeholders. We anticipate ongoing collaboration and cooperation in areas of shared interest throughout the financial year 2024/2025

## **10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Fund exists to transform lives as it plays a key role in achieving universal health coverage. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the citizen first, delivering quality healthcare services, and improving operational excellence. Below is the Fund's highlights.

### **Sustainability strategy and profile**

The Fund is keen on achieving universal healthcare for the population of Kilifi County. In the period under review the Fund improved financial management and fiscal transparency of hospital staff in budgeting, resource tracking and budget advocacy.

### **Environmental performance**

The hospitals under the fund have invested in biosafe methods of medical waste disposal. Public health units have established waste segregation, shredding, disinfection and incineration to eliminate negative exposure to the environment.

### **Market place practices**

The Health Services Improvement Fund maintains good business practices and treats its suppliers responsibly by adhering to several key principles:

- **Fair and Competitive Procurement:** The fund upholds a fair and competitive procurement process. Suppliers are chosen based on pre-qualified criteria, cost considerations, reliability, and their commitment to Public Procurement. This approach ensures equitable treatment of suppliers and fosters healthy competition among them.
- **Compliance with Regulations:** The fund complies with all relevant laws and regulations governing procurement and supplier relationships. This includes adherence to anti-corruption laws and ethical business conduct.

**The Kilifi County Health Services Improvement Fund  
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**11. REPORT OF THE BOARD**

The Board submit their report together with the financial statements for the year ended June 30, 2024 which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund are to;

- a) Provide financial resources for medical supplies and small-scale equipping of Health Services in the county for basic operation and maintenance.
- b) To give decision making autonomy to hospitals to plan and manage the resources within their control.
- c) To support capacity building in the management of hospitals.
- d) The Fund's objective is to improve the quality of health care services in the hospitals.

**Results**

The results of the Fund for the year ended June 30, 2024 are set out on page 1 to 24

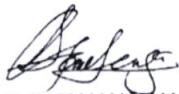
**Fund Board**

The Board members of the Fund who served during the year are shown on page vi to xii there were changes in the Board during the FY 2024/2025

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....  
**Dr. Gome Lenga**

**Chair of the Board**

**Date:** .....4/12/24.....

## **12. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Fund Administrator of Kilifi County Health Service Improvement Fund Act 2016 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Fund Administrator of the Kilifi County Health Service Improvement Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2024. This responsibility includes:

- a. maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- c. designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- d. safeguarding the assets of the Fund;
- e. selecting and applying appropriate accounting policies
- f. making accounting estimates that are reasonable in the circumstances.

The Fund Administrator of the Kilifi County Health Service Improvement Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Kilifi County Health Service Improvement Fund Act 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2024, and of the

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES (CONTINUED)**

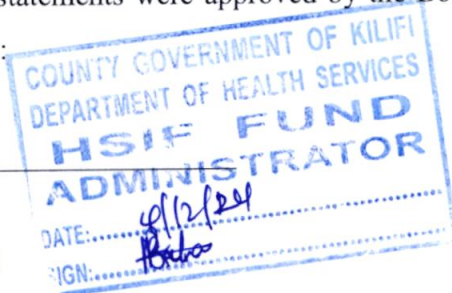
Fund's financial position as at that date. The Fund Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Fund Administrator of the Kilifi County Health Service Improvement Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Fund Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

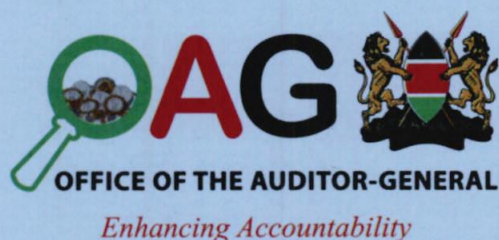
The Fund's financial statements were approved by the Board on 4/12/ 2024 and signed on its behalf by:

  
\_\_\_\_\_  
CPA Racheal Bahati  
HSIF Administrator



# REPUBLIC OF KENYA

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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KILIFI COUNTY HEALTH SERVICES IMPROVEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2024**

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### Qualified Opinion

I have audited the accompanying financial statements of Kilifi County Health Services Improvement Fund set out on pages 1 to 26 which comprise the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kilifi County Health Services Improvement Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### Basis for Qualified Opinion

#### 1. Inaccurate Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.6,768,688 as disclosed in Note 13 to the financial statements. However, the opening net book balance of Kshs.3,263,893 was not subjected to depreciation during the year as the depreciation charge for the year of Kshs.87,300 is only in respect of additions for the year. In addition, the depreciation was not supported by a depreciation policy.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.6,768,688 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kilifi County Health Services Improvement Fund Management in accordance with ISSAI 130 on the 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 qualified opinion.

### Emphasis of Matter

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable amounts of Kshs.499,236,816 and Kshs.474,488,060 respectively resulting to an under-collection of Kshs.24,748,756 or 5% of the budget. Similarly, the Fund spent an amount of Kshs.473,712,532 against actual receipts of

Kshs.474,488,060 resulting to an under-utilization of Kshs.775,528 or 0.16% of actual receipts.

The under-performance affected may have negatively impacted on the planned activities of the Fund which affected service delivery to the public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Unresolved Prior Year Matters**

Various prior year audit issues remained unresolved as at 30 June, 2024. Management has not provided reasons for the delay in resolving the prior year audit issues.

### **Other Information**

The Management is responsible for the other information set out on page iii to xxxix which comprise of Key Entity Information and Management, The Board of Trustees, Management Team, Report of the Fund Administrator, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board, Statement of Management's Responsibilities, Statement of Performance Against County Fund's Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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.

### **Responsibilities of Management and Board of Trustees**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [International Financial Reporting Standards/International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 governance.

In preparing the financial statements, Management is responsible for assessing the Fund's 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 is aware of the intention 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

comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Trustees are responsible for overseeing the Fund'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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

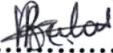
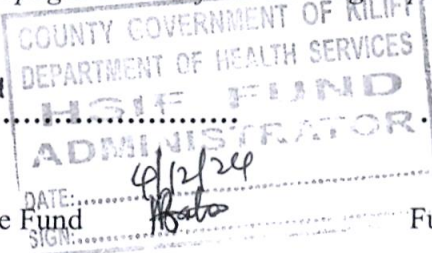
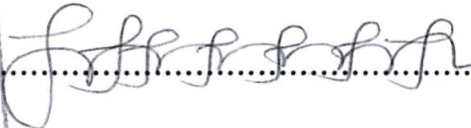
**31 December, 2024**

The Kilifi County Health Services Improvement Fund  
Annual Report and Financial Statements for the year ended June 30, 2024

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup>  
JUNE 2024

	Note	Jun-24 KShs	Jun-23 KShs
<b>Revenue from non-exchange transactions</b>			
Transfers from FIF Revenue	1	474,488,060	419,539,632
<b>Total revenue</b>		<b>474,488,060</b>	<b>419,539,632</b>
<b>Expenses</b>			
Employee costs	2	1,193,765	369,280
Use of goods and services	3	36,434,810	19,486,645
Board of Management Expenses	4	173,000	2,769,080
Depreciation And Amortization Expense	5	87,300	1,554,954
Repair and Maintenance	6	1,004,105	963,737
Transfers to other government entities	7	434,819,552	393,211,209
<b>Total expenses</b>		<b>473,712,532</b>	<b>418,354,905</b>
<b>Surplus/( deficit) for the period</b>		<b>775,528</b>	<b>1,184,728</b>

The notes set out on pages 6 to 24 form an integral part of these Financial Statements




Administrator of the Fund      Fund Accountant  
 Name: Racheal Bahati      Name: Fred Nzai  
 ICPAK Member Number: 21112      ICPAK Member Number: 30736

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**15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024**

	Note	Jun-24 KShs	Jun-23 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	3,088,458	1,600,502
Receivables from Non exchange transactions	9	22,775,449	18,773,309
<b>Total Current Assets</b>		<b>25,863,907</b>	<b>20,373,811</b>
<b>Non-current assets</b>			
Property, plant, and equipment	13	6,768,688	3,263,893
<b>Total Non-current Assets</b>			
<b>Total assets</b>		<b>32,632,595</b>	<b>23,637,704</b>
Trade and other payables from exchange transactions	10	25,057,186	16,837,824
<b>Total liabilities</b>		<b>25,057,186</b>	<b>16,837,824</b>
<b>Net assets</b>			
Accumulated surplus		7,575,408	6,799,880
<b>Total net assets and liabilities</b>		<b>32,632,595</b>	<b>23,637,704</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 4/12/24 2024 and signed by:

 ..... Administrator of the Fund Name: Racheal Bahati ICPAK Member Number: 21112	 4/12/24 Racheal Bahati	 ..... Fund Accountant Name: Fred Nzai ICPAK Member Number: 30736
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**The Kilifi County Health Services Improvement Fund**  
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**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

	Accumulated surplus	Total
	KShs	KShs
<b>Balance as at 1 July 2022</b>	5,615,153	5,615,153
Surplus/(deficit) for the period	1,184,728	1,184,728
<b>Balance as at 30th June 2023</b>	<b>6,799,880</b>	6,799,880
		-
<b>Balance as at 1 July 2023</b>	<b>6,799,880</b>	6,799,880
Surplus/(deficit) for the period	775,528	775,528
<b>Balance as at 30th June 2024</b>	<b>7,575,408</b>	<b>7,575,408</b>

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**17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024**

	Note	Jun-24	Jun-23
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from FIF Revenue	1	470,485,920	404,004,433
<b>Total Receipts</b>		<b>470,485,920</b>	<b>404,004,433</b>
<b>Payments</b>			
Employee costs	2	1,193,765	369,280.00
Board of Management Expenses	4	173,000	2,769,080.00
Use of goods and services	3	36,434,810	19,486,645.00
Repair and Maintenance	6	1,004,105	963,737.00
Transfers to other government entities	7	426,600,190	376,601,885
<b>Total Payments</b>		<b>465,405,870</b>	<b>400,190,627</b>
<b>Net cash flows from operating activities</b>		<b>5,080,050</b>	<b>3,813,806</b>
<b>Cashflow from investing activities</b>			
purchase of fixed assests	13	(3,592,095)	(2,584,870)
<b>Net cashflow from investing activities</b>		<b>(3,592,095)</b>	<b>(2,584,870)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,487,955</b>	<b>1,228,936</b>
Cash and cash equivalents at 1 JULY 2023		1,600,502	371,566
<b>Cash and cash equivalents at 30TH JUNE 2024</b>	8	<b>3,088,457</b>	<b>1,600,502</b>

**Note: The Statement of Cashflow has been prepared under the Direct method. The Net cash flows from operating activities have been reconciled with the Indirect Method as disclosed in Note 11.**

**The Kilifi County Health Services Improvement Fund  
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**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD 2024**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	Jul-23		Jun-24	Jun-24	Jun-24	Jun-24
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Transfers from County Govt & FIF Revenue	421,350,006	77,886,810	499,236,816	474,488,060	24,748,756	95%
<b>Total income</b>	<b>421,350,006</b>	<b>77,886,810</b>	<b>499,236,816</b>	<b>474,488,060</b>	<b>24,748,756</b>	<b>95%</b>
<b>Expenses</b>						
Employee costs	102,000	1,094,000	1,196,000	1,193,765	2,235	100%
Use of goods and services	22,479,797	13,969,092	36,448,889	36,434,810	14,079	100%
Board of Management Expenses	175,000	0	175,000	173,000	2,000	99%
Depreciation And Amortization Expense	500,000	3,156,500	3,656,500	87,300	3,569,200	2%
Repair and Maintenance	6,230,000	(5,223,500)	1,006,500	1,004,105	2,395	100%
Transfers to other government entities	391,863,209	64,890,718	456,753,928	434,819,552	21,934,376	95%
<b>Total expenditure</b>	<b>421,350,006</b>	<b>77,886,810</b>	<b>499,236,817</b>	<b>473,712,532</b>	<b>25,524,285</b>	<b>95%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>(0)</b>	<b>(0)</b>	<b>775,528</b>	<b>(775,528)</b>	

**Budget notes**

- a) In accordance with IPSAS 24.29, the changes in the budget amounting to Ksh.77,886,810 was attributed to reallocations and increase of revenue from other entities.
- b) The actual revenue fell short of the budgeted revenue by Kshs.24,748,756. This represents a variance of approximately 5% below the budgeted amount. This was attributed to lower-than-expected reimbursements from NHIF: In cases where the hospital relied heavily on reimbursements from the National Health Insurance Fund (NHIF) for funding. Also lower collections from hospital pay points which occurred due to a Doctors and Clinical officers strike, which posed challenges in aligning expenditures with available resources.

**The Kilifi County Health Services Improvement Fund  
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**19. NOTES TO THE FINANCIAL STATEMENTS**

**Significant Accounting Policies**

**1. General Information**

Kilifi Health Service Improvement Fund is established by and derives its authority and accountability from 2016 HSIF Act. The entity is wholly owned by the Kilifi County Government and is domiciled in Kenya.

**2. Statement of compliance and basis of preparation**

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**3. Adoption of new and revised standards**

*(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024*

There were no new and amended standards issued in the financial year.

*(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

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	<p><b>There was no Impact of the amendment to IPSAS 43 with respect to the current financial report</b></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><b>There was no Impact of the amendment to IPSAS 44 with respect to the current financial report</b></p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><b>There was no Impact of the amendment to IPSAS 45 with respect to the current financial report</b></p>

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<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><b>There was no Impact of the amendment to IPSAS 46 with respect to the current financial report</b></p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><b>There was no Impact of the amendment to IPSAS 47 with respect to the current financial report</b></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared</p>

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	<p>to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><b>There was no Impact of the amendment to IPSAS 47 with respect to the current financial report</b></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><b>There was no Impact of the amendment to IPSAS 47 with respect to the current financial report</b></p>

**(i) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year 2023/2024.

**c) Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

**ii. Revenue from exchange transactions**

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**b) Budget information**

The original budget for FY 2023-2024 was approved by the County Fund Board on 31<sup>st</sup> July 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Kshs. **77,886,810** on the FY 2023-2024 budget following the Fund board approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a

**The Kilifi County Health Services Improvement Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

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**Summary of Significant Accounting Policies (Continued)**

comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 of these financial statements.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction

**Summary of Significant Accounting Policies (Continued)**

costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

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**Summary of Significant Accounting Policies (Continued)**

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Summary of Significant Accounting Policies (Continued)**

**Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**e) Changes in accounting policies and estimates**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**f) Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**g) Cash and cash equivalents**

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

**h) Comparative figures**

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

**The Kilifi County Health Services Improvement Fund**  
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**Summary of Significant Accounting Policies (Continued)**

**5. Significant judgments and sources of estimation uncertainty**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

There were no judgments, estimates and assumptions made in this financial statement.

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**6. NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfer from FIF Revenue**

Description	Jun-24 KShs	Jun-23 KShs
Grants – HSIF Q1	73,990,716	42,257,071
Grants – HSIF Q2	110,335,007	112,077,752
Grants – HSIF Q3	121,616,720	137,081,496
Grants - HSIF Q4	168,545,617	128,123,313
<b>Total</b>	<b>474,488,060</b>	<b>419,539,632</b>

**2. Employee Costs**

Description	Jun-24 KShs	Jun-23 KShs
Salaries, wages, and allowances	1,125,575	356,380
Employer Contributions to Compulsory National Social Security Schemes	68,190	12,900
<b>Total</b>	<b>1,193,765</b>	<b>369,280</b>

**3. Use of Goods and Services**

Description	Jun-24 KShs	Jun-23 KShs
Communication, Supplies and Services	2,369,148	1,700,500
Office and General Supplies and Services	1,684,454	536,144
Domestic Travel and Subsistence, and Other Transportation Costs	21,475,600	12,492,395
Training Expenses	761,961	-
Hospitality Supplies and Services	7,501,610	2,445,606
Specialised Materials and Supp	67,000	-
Fuel Oil and Lubricants	287,000	1,117,275
Other Operating Expenses	86,788	64,340
Purchase of Household Furniture and Institutional Equipment	428,419	116,885
Printing , Advertising and Information Supplies and Services	1,772,830	1,013,500
<b>Total</b>	<b>36,434,810</b>	<b>19,486,645</b>

**4. Board of Management of Expenses**

Description	Jun-24 KShs	Jun-23 KShs
Sitting allowance	173,000	2,769,080
<b>Total</b>	<b>173,000</b>	<b>2,769,080</b>

**The Kilifi County Health Services Improvement Fund  
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**Notes to the Financial Statements Continued**

**5. Depreciation and Amortization**

Description	Jun-24 KShs	Jun-23 KShs
Property, plant and equipment	87,300	1,554,954
<b>Total</b>	<b>87,300</b>	<b>1,554,954</b>

**6. Repair and Maintenance**

Description	Jun-24 KShs	Jun-23 KShs
Routine Maintenance - Vehicles	328,500	618,090
Routine Maintenance - Other Assets	675,605	345,647
<b>Total</b>	<b>1,004,105</b>	<b>963,737</b>

**7. Transfers to other government entities**

Description	Jun-24 KShs	Jun-23 KShs
Transfers to Level 4 Hospitals	434,819,552	393,211,209
<b>Total</b>	<b>434,819,552</b>	<b>393,211,209</b>

**8. Cash and cash equivalents**

Description	Jun-24 KShs	Jun-23 KShs
Current account	3,088,458	1,600,502
<b>Total cash and cash equivalents</b>	<b>3,088,458</b>	<b>1,600,502</b>

Detailed analysis of the cash and cash equivalents are as follows:

Description	Account number	Jun-24 KShs	Jun-23 KShs
Current account			
<b>Co-Operative Bank</b>			
KCG CGK COUNTY HEALTH MANAGEMENT HSIF	1272367622	60,311	122,432
KCG-HSIF EXPENDITURE ACCOUNT	1270272071	3,028,147	1,478,071
<b>Grand total</b>		<b>3,088,458</b>	<b>1,600,502</b>

**9. Receivables from non-exchange transactions**

Description	Jun-24 KShs	Jun-23 KShs
<b>Current Receivables</b>		
Standing Imprest		-
Transfers from KCG Health Revenue Collection Account	22,775,449	18,773,309
<b>Total receivables from exchange transactions</b>	<b>22,775,449</b>	<b>18,773,309</b>

**The Kilifi County Health Services Improvement Fund**  
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**Notes to the Financial Statements Continued**

**10. Trade and other payables from exchange transactions**

Description	Jun-24 KShs	Jun-23 KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	25,057,186	16,837,824
Other payables	-	-
<b>Total trade and other payables</b>	<b>25,057,186</b>	<b>16,837,824</b>

**11. Cash generated from operations.**

	Jun-24 KShs	Jun-23 KShs
<b>Surplus for the year before tax</b>	775,528	1,184,728
<b>Adjusted for:</b>		
Depreciation	87,300	1,554,954
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	(4,002,140)	(15,535,199)
Increase in payables	8,219,362	16,609,324
<b>Net cash flow from operating activities</b>	<b>5,080,050</b>	<b>3,813,806</b>

**12. Related party balances**

a) Related party transactions	Jun-24 KShs	Jun-23 KShs
Transfers from HSIF	474,488,060	419,539,632
b) Key management remuneration	Jun-24 KShs	Jun-23 KShs
Board of Members allowances	173,000	2,769,080
<b>Total</b>	<b>173,000</b>	<b>2,769,080</b>

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13. Property, plant and equipment

Description	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
Cost	Shs	Shs	Shs	Shs
Depreciation Rate	12.50%	30%		
At 1st July 2022	-	3,191,395	-	3,191,395
Additions	1,016,720	1,568,150	-	2,584,870
<b>At 30<sup>th</sup> June 2023</b>	<b>1,016,720</b>	<b>4,759,545</b>	<b>-</b>	<b>5,776,265</b>
At 1 <sup>st</sup> July 2023	1,016,720	4,759,545	-	5,776,265
Additions	1,183,500	2,408,595	-	3,592,095
<b>At 30<sup>th</sup> JUNE 2024</b>	<b>2,200,220</b>	<b>7,168,140</b>	<b>-</b>	<b>9,368,360</b>
<b>Depreciation and impairment</b>				
At 1st July 2022	-	957,419	-	957,419
Depreciation for the year	127,090	1,427,864	-	1,554,954
<b>At 30 June 2023</b>	<b>127,090</b>	<b>2,385,282</b>	<b>-</b>	<b>2,512,372</b>
At 1st July 2023	127,090	2,385,282	-	2,512,372
Depreciation for the Year	26,794	60,506	-	87,300
<b>At 30<sup>th</sup> JUNE 2024</b>	<b>153,884</b>	<b>2,445,788</b>	<b>-</b>	<b>2,599,672</b>
<b>Net book values</b>				
At 30 <sup>th</sup> June 2023	889,630	2,374,263	-	3,263,893
<b>At 30<sup>th</sup> JUNE 2024</b>	<b>2,046,336</b>	<b>4,722,352</b>	<b>-</b>	<b>6,768,688</b>

**The Kilifi County Health Services Improvement Fund  
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**Notes to the Financial Statements (Continued)**

**14. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

**b) Related party transactions**

	Jun-24 KShs	Jun-23 KShs
Transfers from HSIF	474,488,060	419,539,632

**c) Key management remuneration**

	Jun-24 KShs	Jun-23 KShs
Board of Members allowances	173,000	2,769,080
<b>Total</b>	<b>173,000</b>	<b>2,769,080</b>

**The Kilifi County Health Services Improvement Fund**  
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**Notes to the Financial Statements (Continued)**

**15. Financial risk management**

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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	Total amount	Fully performing	Past due	Impaired
	KShs	KShs	KShs	KShs
<b>At 30 June 2024</b>				
Receivables from non-exchange transactions	22,775,449	-	-	-
Bank balances	3,088,458	-	-	-
<b>Total</b>	<b>25,863,907</b>	-	-	-
<b>At 30 June 2023</b>				
Receivables from non-exchange transactions	18,773,309	-	-	-
Bank balances	1,600,502	-	-	-
<b>Total</b>	<b>20,373,811</b>	-	-	-

**The Kilifi County Health Services Improvement Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month KShs	Between 1-3 months KShs	Over 3 months KShs	Total KShs
<b>At 30 June 2024</b>				
Trade payables	25,057,186	-	-	25,057,186
<b>Total</b>	25,057,186	-	-	25,057,186
<b>At 30 June 2023</b>				
Trade payables	16,837,824	-	-	16,837,824
<b>Total</b>	16,837,824	-	-	<b>16,837,824</b>

**The Kilifi County Health Services Improvement Fund  
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**Notes to the Financial Statements (Continued)**

**c) Capital risk management.**

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2023/2024	2022/2023
	KShs	
Accumulated surplus	7,575,408	6,799,880
<b>Total funds</b>	<b>7,575,408</b>	<b>6,799,880</b>
Less: cash and bank balances	(3,088,458)	(1,600,502)
Net debt/ (excess cash and cash equivalents)	<b>4,486,950</b>	5,199,378
<b>Gearing</b>	<b>59%</b>	<b>76%</b>

**16. Events after the reporting period**

There were no material adjusting and non- adjusting events after the reporting period.

**17. Ultimate and Holding Entity**

The entity is a Kilifi County Health Services Improvement Fund established by section 167 Act of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the County Government of Kilifi.

**18. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

**The Kilifi County Health Services Improvement Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

**20. ANNEXES**

**Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (But a date when you expect the issue to be resolved)
1	<p><b>Inaccuracies in Hospitality Supplies and Services Expenditure</b></p> <p>The statement of financial performance reflects expenditure of Kshs.19,486,645 in respect of use of goods and services. As disclosed in Note 4 to the financial statements, the amount includes Kshs.2,445,606 incurred on hospitality supplies and services. However, the supporting ledger for the expenditure reflects Kshs.5,214,686 resulting in a variance of Kshs.2,769,080 which was not explained or reconciled. In the circumstances, the accuracy and completeness of expenditure on hospitality supplies and services expenses could not be confirmed.</p>	Detailed explanations to observation given in the Audit response	Not Resolved	March 2025
2	<p><b>Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.487,026,686 and Kshs.419,539,632, respectively, resulting in an under-funding of Kshs.67,487,054 or 14o/o of the budget. Similarly, the Fund spent Kshs.418,354,905 against an approved budget of Kshs.487,026,686, resulting in an under-expenditure of Kshs.68,671,781or 14% of the budget.</p>	Detailed explanations to observation given in the Audit response	Not Resolved	March 2025

The Kilifi County Health Services Improvement Fund  
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CPA. RACHEAL BAHATI  
FUND ADMINSTRATOR

*Rachael*  
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Date *4/12/24* .....



COUNTY GOVERNMENT OF KILIFI  
DEPARTMENT OF HEALTH SERVICES  
HSE FUND  
ADMINISTRATOR  
*Rachael*  
*4/12/24*