

REPUBLIC OF KENYA



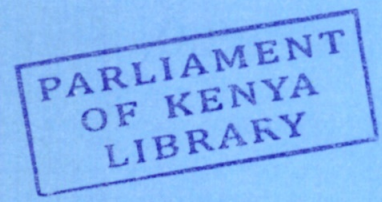
OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



DATE	PAPERS LAID
13/2/2025	
TABLED BY	Mw. W. W. W.
COMMITTEE	
CLERK AT THE TABLE	Mbaya

REPORT



OF

THE AUDITOR-GENERAL

ON

**KISUMU COUNTY SOCIAL HEALTH
INSURANCE FUND**

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

OFFICE OF THE AUDITOR GENERAL

RECEIVED



04 DEC 2024



P. O. BOX 1188, KISUMU



KISUMU COUNTY SOCIAL HEALTH INSURANCE FUND

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

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

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

Kisumu County Social Health Insurance 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
MARWA	A Luo word meaning “ours”
KCSHIF	Kisumu County Social Health Insurance Fund

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

2. Key Entity Information and Management

a) Background information

Kisumu County Social Health Insurance Fund is established by and derives its authority and accountability from PFM and Health Act on 20th Nov 2020. The Fund is wholly owned by the County Government of Kisumu and is domiciled in Kenya.

The fund's objective is to;

- Provided Health Insurances Cover to the indigent population within Kisumu County
- Establish a centralized fund into which all revenue collected pursuant to these regulations shall be paid and administered and;
- Provide for oversight and administration of the fund

The Fund's principal activity is to provided Health Insurances Cover to the indigent population within Kisumu County

b) Principal Activities

VISION

MISSION

CORE OBJECTIVES




- *ensuring seamless transfer of funds from the Kisumu County Social Health Insurances Fund to National Hospital Insurances Fund for providing a medical insurances cover for indigent population in Kisumu County*
- *ensuring seamless payment of capitation, visit fees and reimbursement to the county participating healthcare facilities and payment of services to any appointed supplementary healthcare provider from NHIF pool*
- *ensuring seamless payment of specified operation costs including any refunds that necessary to ensure provision of quality healthcare services to the targeted indigent population in Kisumu County*

c) Board of Trustees/Fund Administration Committee

1	Evans Oloo	Fund Manager/ Administrator
2	Dr. Gregory Ganda	Committee Chair
3	Mr. George Okong'o	Committee Member
4	Ms. Nathalie Hoben	Committee Member
5	Mr. Wilson Abiero	Committee Member

**Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

d) Key Management Steam

1	 <p>Mr. Evans Oloo</p>	<p>Fund Administrator MBA, Bcoms, DBM, Dip Procurement, SMC, Health Administration Health Administration Officer KCRH</p>
2	 <p>Mr. Joshua Okise</p>	<p>Fund Accountant BBA Accounting, CPA, Master of Science in Finance, and PhD in Finance-current A professional Accountant, Financial analyst, and a lecturer</p>
3	 <p>Dr. Phanice Ajore</p>	<p>Social Health Insurance Lead B. Pharm, MSK MSC. Health Systems Managements</p>

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

1	Internal Auditor	Mr. Dienya

f) Registered Offices

P.O. Box 40100-721
Prosperity Building/House/Plaza
Oginga Odinga Avenue/Road/Highway
Kisumu, KENYA

g) Fund Contacts

Telephone: (254) 717083112
E-mail: kisumucountymarwa@gmail.com
Website: www.kisumu.go.ke

h) Fund Bankers

1. Kenya Commercial Bank
United Mall Branch
Kisumu

Key Entity and Management (Continued)

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 County Attorney

P.O. Box 40100-721
Prosperity Building/House/Plaza
Oginga Odinga Avenue/Road/Highway
Kisumu, KENYA

k) County Attorney





Mr. Edris Nicholas Omondi

LLB

Advocate of the High Court of Kenya

P.O. Box 40100-721
Prosperity Building/House/Plaza
Oginga Odinga Avenue/Road/Highway
Kisumu, KENYA

3. Fund Administration Committee




 <p>Dr. Gregory Ganda</p>	<p>Chief Officer of Health MbChB, MMed, Clin. Fel Gyn Onc Committee Chair</p>
 <p>Mr. George Okong'o</p>	<p>County Executive Member of Finance BE. Economics, Master's degree in governance and development Committee member</p>
 <p>Mr. Evans Oloo</p>	<p>MBA, Bcoms, DBM, Dip Procurement, SMC, Health Administration Health Administration Officer KCRH Fund administrator/ Secretary to the Board</p>
	<p>MSC Public Health Masters in LLM Pharm-Access Western Lead Committee member</p>

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

Nathalie Hoben	
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Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

4. management Team

<p>Mr. Evans Oloo</p> 	<p>MBA, Bcoms, DBM, Dip Procurement, SMC, Health Administration Health Administration Officer KCRH</p> <p>Fund Administrator</p>
<p>Mr. Joshua Okise</p> 	<p>BBA Accounting, CPA, Master of Science in Finance, and PhD in Finance-current A professional Accountant, Financial consultant, and a lecturer</p> <p>Fund Accountant</p>
<p>Dr. Phanice Ajore</p> 	<p>B. Pharm, MSK MSC. Health Systems Managements</p> <p>MARWA Coordinator</p>

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

6. Report of The Fund Administrator

BACKGROUND

Founded in early 2021 to meet the health insurance needs of the Kisumu County populace, the Kisumu County Social Health Insurance Fund has been in operation for the past two years. Since then, Kisumu County residents have had varying degrees of success in obtaining health insurance coverage. The fund receives funding via partner donations and capitation from NHIF public payments.

The total sum spent over that time was Kshs 20,019,483 for 2023/204.

The fund management board achieved significant success in streamlining the hospital's delivery of supplies and implementing digitalization.

Challenges

Due to significant difficulties transferring monies from the CRF to the funds account, we had to turn to alternative methods of providing for MARWA members rather than an insurance-based system.

Looking forward

Increasing health coverage is key and it reduces medical overdependency in the community and it creates healthy financing. We look for effective and efficient funding from CRF to avoid delays in payment of premium

APPRECIATION

I take this opportunity to express my sincere gratitude and appreciation to the Ministry of health, the county government of Kisumu, development partners, stakeholders, the Board of Management, and staff for their continued support, which made us, achieve these results.

I look forward to your continued support in the year 2024/2025.

W. M. M. M.

KISUMU COUNTY SOCIAL HEALTH INSURANCE FUND (MARWA)
04 DEC 2024
FUND ADMINISTRATOR

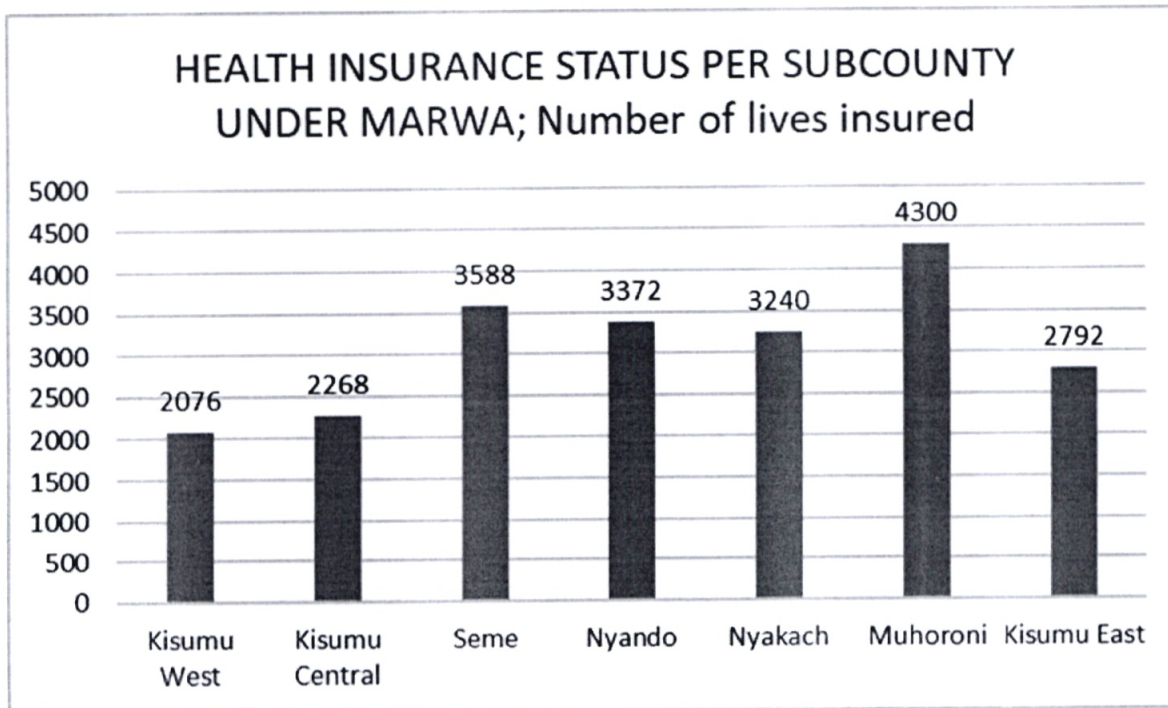
7. Statement of Performance Against the County Fund's Predetermined Objectives

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 Government entities by 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 Marwa program continues to contribute towards Universal Health Coverage (UHC) by fully subsidizing health insurance for vulnerable households and also coming up with innovative ways to enroll members of the informal economy whilst ensuring that they remain enrolled.

Following complaints on the initial identification of indigents, the department in the second phase made use of the Community health structures and leveraged on information collected digitally in identifying the most vulnerable households. The education bursary committee was used to verify deserving households further ensuring that only deserving persons were included in the indigent scheme. This has ensured the county identifies genuinely deserving indigents. The scheme currently covers a population of 5409 principal indigent households and approximately 21,636 dependents, including spouses and children across all seven sub-counties. To augment the county's efforts, the national government is also currently supporting an additional 18,601 households. Kisumu East constituency development fund is also supporting 1400 households whereas Kisumu central and Seme are supporting additional 692 and 601 households respectively. Since its inception, health care facilities have so far recorded 38,950 clinic visits by the indigent population (1551 inpatients, 37,400 outpatient visits) (*Data source: Mtiba*).



Current Marwa Indigent coverage per sub county; Data source: Mtiba

To achieve 70% health Insurance penetration in Kisumu and effectively finance the healthcare system, the program is working towards gaining traction in the informal sector targeting organized groups and self-paying members e.g., Market vendors, jua kali traders, cooperative sacco's etc.

Following lessons from the initial implementation, the county executive is in the process of making amendments to the regulations (2020) to allow the county to use digital technology to administer the collection of premiums allowing MARWA to be a platform allowing aggregation of collections and transferring finance to insurance firms chosen by the individuals

The new regulations aim to: -

- Approve the expansion of MARWA coverage to include the informal sector.
- Realign Marwa as a platform that aggregates and enables Kisumu residents to obtain social health protection.
- Approve the initiation of a digital wallet for every resident getting treatment at public facilities to encourage saving and prepayment.
- . Include the use of digital wallets to allow the informal sector to save and transfer to health insurance of choice.

8. Corporate Governance Statement

Kisumu County Social Health Insurance Fund Board of Management is responsible for the corporate governance of the fund and is accountable to the Ministry of Health, County Department

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

of Health Kisumu County for ensuring that the Fund complies with the laws and the highest standards of corporate governance and business ethics. The Board members attach great importance to the need to conduct the business and operations of the Fund with integrity and by generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

a) Board of Management

The Board of Management is composed of non-executive and executive members elected by the governor of Kisumu County. The Appointed Board of Management is to be held accountable and responsible for the efficient and effective governance of the hospital. Members of the Board have a range of skills and experience and each brings an independent judgment and considerable knowledge to the Board's discussions. The board term is two years renewal subject to a performance contract.

Summarized below are the key roles and responsibilities of the Board:

Approve and adopt strategic plans and annual budgets, set objectives, and review

key risk and performance areas.

Resource Mobilization

Determine overall policies and processes to ensure integrity of the Hospital's

management of risk and internal contracts; and

Review at regular meetings Management's performance against approved

budget.

The full Board meets at least 4 times a year. The Board members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for the conduct of day-to-day business to the Fund Administrator. The Board nonetheless retains responsibility for establishing and maintaining the Fund's overall internal control, financial, operational, and compliance framework

b) Board Meetings

The Board as per the Annual work plan meets quarterly or additionally when necessary to consider matters of overall control of the fund. The Board agenda and work plan are prepared early in the year and adequate notice, agenda, and Board papers are circulated within stipulated timelines.

9. Management Discussion and Analysis

As MARWA program advances, the county Department of Health aims to increase the number of beneficiaries and expand coverage to more citizens and their families, support efforts to ensure that the most vulnerable households remain covered, and expansion plans are rolled out. Efforts are being made to engage with distribution partners, utilize efficient enrolment models, and employ digital technology to streamline operations and enhance the end-user experience. Implementing Marwa has led to a steady increase in the claim reimbursements from NHIF.

10. Environmental and Sustainability Reporting

Kisumu County Health Insurance exists to transform health insurance in Kisumu County. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

Kisumu County Health Insurance has continued quality service delivery maintained by frequent funds request from various sources and increasing health insurance coverage.

ii) Environmental performance

Environment is a key area that the facility has shown interest in managing so as to avoid health risks and hazardous occurrences. The fund does not operate activities which are hazardous to the environment

iii) Employee welfare

Kisumu County Health Insurance Fund Hospital does not take part in hiring process but is paying stipend to contracted staff who assist in supporting MARWA operations.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Kisumu County Health Insurances does not offer competitive products but act as a platform for health insurance.

b) Responsible Supply chain and supplier relations

The organisation uses the approved list of prequalified firms for Jaramogi Oginga Odinga Teaching and Referral Hospital as in the procurement guidelines.

We maintain the supplier relations by ensuring timely payment upon the receipts of funds.

c) *Responsible marketing and advertisement*

The organisation carries outreaches within the communities where the information about the MARWA is given to public.

Respective personnel are sent to conduct public participation and creates awareness in some cases

d) *Product stewardship*

The facility maintains the confidentiality for the insurer record

v) *Corporate Social Responsibility / Community Engagements*

The fund offers free health insurance to increase health insurance coverage and creating a health society

By Order of the Board



Chair of the Board/Fund Administration Committee

Date: 4/12/2024

11. Oversight Committee /Trustees Chairperson’s Report

Marwa Kisumu Solidarity Health Insurance Scheme

“Marwa”, which is the Luo word for “ours”, is the name of the Kisumu Solidarity Health Insurance Scheme. Marwa is a digitally enabled health insurance scheme under the umbrella of UHC, designed to ensure that the most vulnerable and the non-poor informal sector populations of Kisumu County also have access to affordable and quality healthcare services, whenever they need it, and without suffering financial hardship. Underwritten by the National Hospital Insurance Fund (NHIF), Marwa contributes to UHC by identifying those who can pay and ensuring that they contribute, while subsidizing those who cannot. In parallel, Marwa also helps clinics improve their quality.

The initiative is an outcome of a MoU between the Kisumu County government and Pharm Access Foundation, whom they asked for support with technical assistance to help set up the scheme.

Marwa has four elements:

1. Digitally registering and co-funding health insurance premiums for the most vulnerable households in

Kisumu.

2. Registering non-poor informal sector workers and others with the ability to pay.

3. Deployment of the Safe Care digital assessment tool to enhance the quality of healthcare.

4. Digital dashboards to increase transparency, create efficiency, and share data to improve decision-making at the institutional level.

How Marwa works

Marwa is digitally enabled and patient-centered, connecting participants to the scheme through their (simple) mobile phones. Marwa uses its technology and resources to proactively expand cover to most vulnerable informal sector households identified through a socio-economic mapping exercise. To make a start, Marwa adopted a co-funding model, combining premium subsidies for the most vulnerable households from donors with earmarked funding from the County Government for UHC. Over the years, the County's contribution will gradually increase, ensuring the long-term sustainability of the program and health system transformation.

Informal sector workers with the ability to pay will be encouraged to buy the NHIF cover through the marketing and outreach activities of Marwa. Funds in Marwa are ringfenced, ensuring transparency and accountability for the use of funds. Through Marwa, residents of Kisumu are registered through their mobile phones for NHIF on the M- TIBA1 platform allowing for a smooth roll out. In addition, Marwa must ensure that participants are confident enough that they will receive quality care and consider pre-paying for it. For this reason, Marwa makes use of digital tools to enhance healthcare journeys in connected facilities. Through SafeCare, clinics in Kisumu are provided with a digitally enabled standards-based approach for measuring, improving, and recognizing the quality of their services.

The Marwa data is organized into dashboards that display key indicators, for example, utilization and cost of care statistics, metrics related to quality levels of providers, and demographics. It can also provide additional information on prioritized areas such as communicable diseases such as malaria, TB, and HIV/AIDS, non-communicable diseases, and maternal care. The dashboards are accessible to all key stakeholders and assist in making informed decisions.

Project objectives

- Develop and implement the strategy to expand population coverage in Kisumu County to enrol the non-poor informal sector and retain them as members.

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

- Support efforts to ensure that the most vulnerable households remain covered and expansion plans by the Kisumu County Government are rolled out.
- Provide technical assistance to the Kisumu County Government on data insights through digital platforms to drive decision-making.

Project activities

- Analysing and internalizing the structure of Kisumu’s population by socio-economic groupings and conducting research into the most promising distribution channels that Marwa can use as enrolment agents/aggregators of large groups to enroll the informal sector (for example, microfinance institutions, mobile network operators, savings and credit co-operative societies, utility providers, etc.)
- Executing strategy for extension of the Marwa program to the currently not included population. Activities include marketing, partnership management, and enrolment. Partnership management includes establishing key partnerships with distribution/enrolment partners (arranging meetings, facilitating meetings for necessary contracts, assisting with the coordination of connecting or integrating IT systems, ensuring that their staff and field agents are being trained under bespoke capacity-building initiatives, etc.).
- Working with distribution/enrolment partners to pilot test and/or monitor their pilot projects on enrolment into Marwa.
- Follow up with partners and work with them where necessary to scale up initial efforts to cover as many groups of citizens (and their families) as possible under Marwa.
- With others at Marwa, developing and running education campaigns to build awareness of Marwa for the informal sector.

Conclusion

Since its launch in 2020, over 142,000 lives have been registered in Marwa, accessing care in 49 Marwa facilities. For the attainment of 70% health insurance coverage in Kisumu County as per the Governor Manifesto, the program needs approximately of 124M to achieve the target. I look for continuous partnerships with other partners and support from the county government of Kisumu.

Name Dr. Gregory Ganda Signature
CEC Health Kisumu County



Date 4/12/2024

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 Administrator of a County Public Fund established by *PFM and Health Act* shall prepare financial statements for the Fund by the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for preparing and presenting 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: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) 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; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public 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 Health Act of 2019. 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 Fund’s financial position as at that date. The Administrator further confirm 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 Administrator of the County Public 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. OR

Nothing has come to the attention of the 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:



Administrator of the County Public Fund

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON KISUMU COUNTY SOCIAL HEALTH INSURANCE FUND FOR THE YEAR ENDED 30 JUNE, 2024 – COUNTY GOVERNMENT OF KISUMU

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; and,
- 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 Kisumu County Social Health Insurance Fund set out on pages 1 to 24, which comprise of the statement of financial

position as at 30 June, 2024, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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 matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kisumu County Social Health Insurance 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 County Government of Kisumu Health Act, 2020 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracies in the Financial Statements

Review of the financial statements submitted for audit revealed the following inaccuracies:

- i. The statement of financial position reflects a balance of Kshs.28,627,669 in respect of net assets. However, the statement of changes in net assets reflects a balance of Kshs.27,847,483 resulting to unexplained variance of Kshs.780,186. Similarly, the re-computed closing net assets balance of Kshs.29,475,371 differ with the closing balance of Kshs.27,847,483 under statement of changes in nets assets resulting to unexplained variance of Kshs.1,627,888.
- ii. Further, the statement of cash flows reflects an amount of Kshs.28,019,749 in respect of net increase in cash and cash equivalents under cash flows from operating activities. However, a re-cast of the figure which comprise of fund administration expenses, general expenses and use of goods amounting to Kshs.2,008,595, Kshs.924,825 and Kshs.17,086,063 respectively totaling to Kshs.20,019,483 resulting to unexplained variance of Kshs.8,000,266.
- iii. In addition, the statement of cash flows reflects an amount of Kshs.28,110,872 in respect of cash and cash equivalents transferred to the statement of financial position. However, the re-computed figure show that the actual balance is Kshs.28,019,749 under cash and cash equivalents resulting to unexplained variance of Kshs.91,123.

- iv. Similarly, the statement of financial position reflects a balance of Kshs.28,110,872 under cash and cash equivalents as disclosed in Note 4 to the financial statements which is equivalent to bank statements balance as at 30 June, 2024. However, the balance is overstated by understating the net cash and cash equivalent increase from operating activities in the statement of cash flows by Kshs.8,000,266.
- v. In addition, the statement of financial position is out of balance. The net assets amount to Kshs.28,627,669, while the accumulated surplus amounts to Kshs.27,892,668 resulting to unexplained variance of Kshs.735,001.

In the circumstances, the accuracy, occurrence and completeness of the net assets and cash and cash equivalent balance of Kshs.28,627,669 and Kshs.28,110,872 and accumulated surplus of Kshs.27,892,668 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kisumu County Social Health Insurance 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

Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final receipts budget of Kshs.49,500,000 and actual on comparable basis amount of Ksh.48,039,232 resulting in underfunding of Ksh.1,460,768 or 3% of the budget.

Similarly, the project expended Kshs.20,019,483 against the approved budget of Kshs.49,500,000, resulting to an under expenditure of Kshs.29,480,517 or 60 % of the total approved budget.

The under absorption may have negatively impacted on service delivery.

My opinion is not qualified 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

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal controls, Risk management and governance. However, the Management had not resolved the issues as at 30 June, 2024.

Other Information

Conclusion

The Management is responsible for the Other Information set out on page i to xix which comprise of Fund Information and Overall Performance, Statement of Performance against the Fund Predetermined Objectives, Cooperate Social Responsibility and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Fund 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, except for the effects of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Lack of Internal Audit Review

During the year under review, there was no review of the Fund's activities by the internal auditor contrary to Regulation 153(1)(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Internal Auditor should review the effectiveness of the financial and non-financial performance management systems of the entities.

In the absence of constant reviews by the internal audit unit, the effectiveness of internal control and risk management in relation to the Fund could not be confirmed

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 the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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 ability to sustained its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charge with governance are responsible for overusing the Funds 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 INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires 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 IFPP 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 (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

13 December, 2024

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

14. Statement of Financial Performance for the Year Ended 30th June 2024

Description	FY 2023/2024		FY 2022/2023	
		Kshs		Kshs
Revenue From Non-Exchange Transactions				
Public Contributions and Donations	1	2,286,232.00		3,068.00
Total				3,068.00
Revenue From Exchange Transactions				
Others; Capitation	2	45,753,000.00		40,979,968.00
Total Revenue		48,039,232.00		40,983,036.00
Expenses				
Employee Costs		0		1,777,700.00
Use of goods and services	3	<u>20,019,483 .00</u>		<u>39,114,213.00</u>
Depreciation and Amortization Expenses	7	172,266.00		45,938.00
Total Expenses		20,191,749.00		40,937,851.00
Surplus for the Period		27,847,483.00		45,185.00

Evans Oloo

Name: Evans Oloo
 Administrator of the Fund

KISUMU COUNTY SOCIAL HEALTH INSURANCE FUND (MARWA)
 04 DEC 2024
 FUND ADMINISTRATOR

Joshua Clinton Okise

Name: Joshua Clinton Okise
 Fund Accountant


KISUMU COUNTY SOCIAL HEALTH INSURANCE FUND (MARWA)
 04 DEC 2024
 ACCOUNTANT

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

15. Statement of Financial Position As at 30TH June 2024

Assets				
Current Assets				
Cash and Cash Equivalents	4	28,110,872.00		91,123.00
Current receivables from NHIF	5	0		8,328,190.00
Prepayments Transfers to pay (casuals)	6	0		1,080,000.00
Total current assets		<u>28,110,872.00</u>		<u>9,499,313.00</u>
Non-Current Assets				
Property Plant and Equipment	7	516,796.00		689,062.00
Total non-current assets		<u>516,796.00</u>		<u>689,062.00</u>
Total Assets		<u>28,627,669.00</u>		<u>10,188,375.00</u>
Liabilities				
Current Liabilities				
Trade and Other Payables from Exchange Transactions	8	0		3,523,205.00
Total current liabilities				<u>3,523,205.00</u>
Non-Current Liabilities				
		0		0
Total Liabilities		0		3,523,205.00
Net Assets		<u>28,627,669.00</u>		<u>6,665,170.00</u>
Accumulated Surplus		27,892,668.00		45,185.00
Total Net Assets and Liabilities		<u>28,627,669.00</u>		<u>10,188,375.00</u>

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 4/12/2024 and signed by:



Name: Evans Oloo
 Administrator of the Fund

KISUMU COUNTY SOCIAL HEALTH INSURANCE FUND (MARWA)
04 DEC 2024
FUND ADMINISTRATOR



Name: Joshua Clinton Okise
 Fund Accountant

KISUMU COUNTY SOCIAL HEALTH INSURANCE FUND (MARWA)
04 DEC 2024
ACCOUNTANT

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements for the year ended June 30, 2024

16. Statement Of Changes in Net Assets for the year ended 30th June 2024

Description	Resulting Fund	Accumulated Surplus	Total
		Ksh	Ksh
Balance As At 1 July (2022/2023)		1,582,703.00	1,582,703.00
Surplus/(Deficit) For the Period	-	45,185.00	45,185.00
Balance As At 30th June (2022/2023)		45,185.00	45,185.00
Balance As At 1 July (2023/2024)		45,185.00	45,185.00
Surplus/(Deficit) For the Period		27,847,483.00	27,847,483.00
Balance As At 30 June (2023/2024)		27,847,483.00	27,847,483.00

17. Statement of Cash Flows for The Year Ended 30 June 2024

Cash flows from operating activities			
Receipts			
Public contribution	1	2,286,232.00	3,068.00
Capitation	2	45,753,000.00	40,979,968.00
Total receipts		48,039,232.00	40,983,036.00
Payments			
Fund administration expenses		2,008,595.00	2,117,067.00
General expenses		924,825.00	1,122,877.00
Employee Cost		0	1,777,700.00
Use of goods		17,086,063.00	35,874,269.00
Net increase/(decrease) in cash & cash equivalents		28,019,749.00	<u>91,123.00</u>
Cash and cash equivalents at 1 July 2023		<u>91,123.00</u>	<u>1,582,703.00</u>
Cash and cash equivalents at 30 June		<u>28,110,872.00</u>	<u>91,123.00</u>

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements For the year ended 30th June 2024

18. Statement Of Comparison of Budget and Actual Amounts for the year ended 30th June 2024

Description	Budget		C=(a+b)	Actual on a	Performance	Utilization
	a	b		comparable		
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Public Contributions & donations	3,068	2,511,787	2,514,855	2,286,232.00	228,623.00	91%
Capitation	40,979,968	6,005,177	46,985,145	45,753,000.00	1,232,145.00	97%
Total Income	<u>40,983,036</u>	<u>8,516,964</u>	<u>49,500,000</u>	<u>48,039,232.00</u>	<u>1,460,768.00</u>	97%
Expenses						
Fund Administration Expenses	1,709,260	653,790	2,363,050	2,008,595.00	354,455.00	85%
General Expenses	1,122,877	258,662	1,381,539	924,825.00	456,714.00	67%
Use of goods	38,017,471	-19,538,838	18,478,633	17,086,063.00	1,392,570.00	91%
Total Expenditure	<u>40,849,608</u>	<u>-18,626,386</u>	<u>22,223,222</u>	<u>20,019,483 .00</u>	<u>2,203,739.00</u>	<u>89%</u>

Note to the budget.

The variances were as a result of the adjustments. The management utilized 89% of the approved budget which is within the allowed limit

19. Notes to the Financial Statements

1. General Information

Kisumu County Health Insurance Fund entity is established by and derives its authority and accountability from Health Act. The entity is wholly owned by the Kisumu County Government and is domiciled in Kenya. The entity's principal activity is offering health insurance.

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 2023*

IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;
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	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that applies to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in the scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.

	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</i> <p><i>State the impact of the standard to the Entity if relevant</i></p>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

IPSAS 43	<p><i>Applicable 1st 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>
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	<p>The new standard requires entities to recognize, measure, and present information on right-of-use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>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><i>State the expected impact of the standard to the Entity if relevant</i></p>

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

1. 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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2023/2024 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget following 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 income of **48,039,232.00** mostly from NHIF capitation, donations, and public contributions.

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

Kisumu County Social Health Insurance Fund
Annual Report and Financial Statements For the year ended 30th June 2024

The management was not able to use 100% of the funds because a major part of the income was received when the financial year was coming to an end, and therefore, it was not easy to use all the funds. The funds were, therefore, carried forward to the next financial year

Summary of Significant Accounting Policies (Continued)

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 xxx 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. The funds' assets properties were recorded at Net Book Value after deducting the depreciation at 25% for computers and networking items following the Assets depreciation policy.

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an 2023/2024-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The

difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) 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 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.

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.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

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.

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

l) 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.

m) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) 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.

q) 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.

r) Comparative figures

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

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.

State all judgements, estimates and assumptions made e.g.

a) Estimates and assumptions –

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market about the asset

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Notes To the Financial Statements

1. Public contributions and donations

	2024/2023	2023/2022
	Ksh.	
Donations from Development Partners	2,246,200.00	0
Contribution from the public (Subscriptions)	40,032.00	3068.00
Total	<u>2,286,232.00</u>	<u>3,068.00</u>

2. Other income

	2024/2023	2023/2022
	Ksh.	
Capitation payments from NHIF	45,753,000.00	40,979,968.00
Total Other Income	<u>45,753,000.00</u>	<u>40,979,968.00</u>

3. Use of Goods and Services

	2024/2023	2023/2022
	Ksh.	
General Office Expenses	924,825.00	1,122,877.00
Administration Fees (travel and training and hotel and accommodation)	2,008,595.00	2,117,067.00
Hotel and Catering	1,250,059.00	
Bank Charges	15,736.00	23,430.00
Electricity	1,087,012.00	0
Fuel And Oil Costs	1,000,000.00	1,081,033.00
Insurance Costs (Premium payment & Reimbursements)	999,903.00	11,449,066.00

Kisumu County Social Health Insurance Fund
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Advertisement and awareness	108,000.00	
Publishing and Printing	1,152,260.00	96,655.00
Other (Specify);		
Medical Drugs	1,208,900.00	9,280,717.00
Non-Pharms	5,895,200.00	6,474,265.00
Laboratory Reagents	2,246,890.00	2,331,550.00
Mort vehicle maintenance and Repair	758,227.00	1,654,324.00
ICT and Networking	895,000.00	735,000.00
Telephone and Telex	114,000.00	200,000
Sanitary and Cleansing Material	199,900.00	1,864,298.00
Statutory deduction (WHT)		42,305.00
Maintenance of plant and machinery	154,976.00	641,626.00
Total	<u>20,019,483.00</u>	<u>39,114,213.00</u>

4. Cash and cash equivalents

Current Account	28,110,872.25	91,123.00
Total Cash and Cash Equivalents	28,110,872.25	91,123.00

Notes to the Financial Statements Continued

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

		FY 2023/2024 Kshs	FY 2022/2023 Kshs
a) Current Account			
Kenya Commercial Bank	12839371	28,110,872.25	91,123
Sub- Total		28,110,872.25	91,123
Grand Total		<u>28,110,872.25</u>	<u>91,123</u>

5. Receivables from exchange transactions

	FY 2023/2024 Kshs	FY 2022/2023 Kshs
Current Receivables		
Other Exchange Debtors (NHIF) Capitation Owed for 4 th quarter	0	8,328,190.00
Total Receivables from Exchange Transactions	0	<u>8,328,190.00</u>

6. Prepayments

	FY 2023/2024 Kshs	FY 2022/2023 Kshs
Payments of utilities	0	1,080,000.00
Total		<u>1,080,000.00</u>

7. Property, plant and equipment

	FY 2023/2024 Kshs	FY 2022/2023 Kshs
At 1st July (Previous 23)	689,062.00	000
Additions	0	0
Disposals	(0)	(0)
Transfers/Adjustments	0	0

*Kisumu County Social Health Insurance Fund
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At 30th June (previous 23)	689,062.00	000	
At 1st July (Current 23)	689,062.00	689,062.00	
Depreciation	(172,265.50)	(172,265.50)	
At 30th June (Current 24)	516,796.50	516,796.50	
Net Book Values	516,796.50	516,796.50	
At 30th June (Previous 23)	689,062.00	689,062.00	
At 30th June (Current 24)	<u>516,796.50</u>	<u>516,796.50</u>	

Notes To the Financial Statements (Continued)

8. Trade and other payables from exchange transactions

Trade Payables				3,523,205.00
Refundable Deposits				0
Accrued Expenses				0
Other Payables				
Total Trade and Other Payables				<u>3,523,205.00</u>
Ageing analysis (Trade and other payables)	FY 2023/2024	% of the Total	FY 2022/2023	% of the Total
Under one year	0	0	3,523,205.00	100%
1-2 years	0	0	0	0%
2-3 years	0	0	0	0%
Over 3 years			0	0%
Total (tie to above total)	0	0	3,523,205.00	

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.

1	Lack of approved budget	The has worked on the budget	Resolved	Resolved
2	Lack of Internal audit	The letter was written to the office of the internal to act on the same. The management is still waiting for feedback	Not Resolved	In the audit period
3.	Lack of monitoring and evaluation reports	The management has put a mechanism of providing the monitoring and evaluation reports	Resolved	Resolved
5.				

Fund Manager/Accounting Officer (Kisumu County Health Insurance Fund)



Date **04/12/2024**