

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

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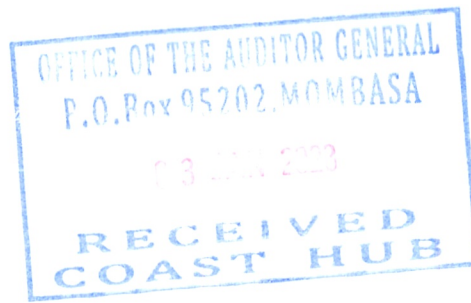
THE AUDITOR-GENERAL

ON

**THE KILIFI COUNTY HEALTH
SERVICES IMPROVEMENT FUND**

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





COUNTY GOVERNMENT OF KILIFI

THE KILIFI COUNTY HEALTH SERVICES IMPROVEMENT FUND

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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 Reports and Financial Statements
For the year ended June 30, 2022**

Table of Contents

1. KEY ENTITY INFORMATION AND MANAGEMENT	ii
2. THE BOARD MEMBERS	v
3. MANAGEMENT TEAM	xii
4. BOARD CHAIRPERSON'S REPORT	xiii
5. REPORT OF THE FUND MANAGER/ ADMINISTRATOR	xvi
6. STATEMENT OF PERFORMANCE AGAINST KILIFI HEALTH SERVICES IMPROVEMENT FUND PREDETERMINED OBJECTIVES	xx
7. CORPORATE GOVERNANCE STATEMENT	xxv
8. ENVIRONMENTAL AND SUSTAINABILITY REPORT	xxxii
9. MANAGEMENT DISCUSSION AND ANALYSIS	xxxiii
10. REPORT OF THE BOARD CHAIRMAN	xxxiii
11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	xxxv
12. REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR KILIFI COUNTY HEALTH SERVICE IMPROVEMENT FUND.	xxxvii
13. FINANCIAL STATEMENTS	1
13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022	1
13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022	2
13.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022	3
13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022	4
13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 th JUNE 2022.	5
13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	6
14. NOTES TO THE FINANCIAL STATEMENTS	20
15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS	30

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Health Services Improvement Fund 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	Position	Name
1	Peter Mwarogo	Chairman
2	Zena Salim	Member
3	Sammy G. Charo	Member
4	Joyce Peshu	Member
5	Alio Ibrahim Adan	Member

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

6	Dr. David Mulewa	Member
7	Racheal Bahati	Fund Administrator

d) Key Management

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

e) Registered Offices

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

f) Fund Contacts

Telephone: (254) 0728818831
E-mail: hsifkilifi@gmail.com
Website: www.kilifi.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Kilifi Branch
3. Cooperative Bank

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

Kilifi Branch

4. Cooperative Bank

Malindi Branch

5. Cooperative Bank

Mariakani Branch

h) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

i) Principal Legal Adviser

The County Attorney


Kilifi Plaza

Hospital Road


P.O. Box 519-80108

Kilifi, Kenya

2. THE BOARD MEMBERS

Name	Details of qualifications and experience
	<p>Peter Mwarogo</p> <p>Date of Birth 24 April 1959</p> <p>Chairperson</p> <p>Mr. Peter Mwarogo was appointed as HSIF Board Member on 9 March 2018. Mr. Peter Mwarogo has over thirty-five years of experience in international development and management. He has held management and technical positions in leading international development organizations. He is the immediate former Country Director for FHI 360-Kenya. In addition to his executive management experience, Mr. Mwarogo has expertise in, public health planning and management, corporate governance, evaluation, and research. In his previous positions he has collaborated closely with high level Government of Kenya and international development agency officials such as DFID, USAID, CDC, PEPFAR, DANIDA, JICA, CIDA Canada UNAIDS and WHO. From 2006 to 2008 he served as a member of the UNAIDS HIV prevention Reference Group, a think tank on HIV prevention and care, based in Geneva. He served as chairman of the Board of Directors of the African</p>

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

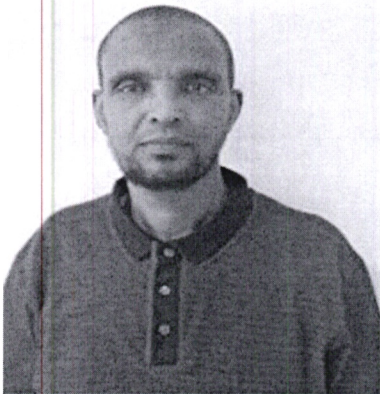
Name	Details of qualifications and experience
	<p>Network for Strategic Communication in Health and Development (AFRICOMNET) for ten years. He is a member of the Kenya Coalition for Health Research & Development (CHRead) and a Council Member of the ACK Church Mombasa Diocese Research Council.</p> <p>Mr. Mwarogo has a Masters in Public Health (MPH) from Tulane University USA, a BA and Postgraduate diploma from the University of Nairobi, and numerous certificates of advanced training from Kenyan and international institutions.</p>
	<p>Sammy G. Charo</p> <p>Date of birth 25 March 1956</p> <p>Member</p> <p>Mr. Sammy Gona was appointed as HSIF Board Member on 9 March 2018. Sammy Gona is a teacher at Mwandaza Primary school. 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</p>

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**


Name	Details of qualifications and experience
	Biblical College and also Community Nursing MTC Coast General.
	<p>Zena Salim 20 April 1958 Member</p> <p>Zena Salim was appointed as HSIF Board Member on 28 October 2021.</p> <p>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> <p>She is one of the founders of Kesho Kenya, a non-governmental organisation</p>

Name	Details of qualifications and experience
	<p>that empowers youngsters through education, entrepreneurship training and safeguarding in Kenya's coastal region. As a board member Zena Sallim represents the women.</p> <p>Zena Salim has Certificate in Child Counselling, Kenya Association of Professional Counsellors and a Diploma in Art and Craft, Nairobi.</p>
	<p>Joyce Peshu</p> <p>Date of birth 7 June 1988</p> <p>Member</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 Gender Officer. Her work focuses on inclusion of women, youth and men in the governance and management of conservancies. 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 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</p>

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

Name	Details of qualifications and experience
	Bachelor of Science in Microbiology from Moi University.
	<p>Alio Ibrahim Adan Date of birth 20 February 1973 Chief officer Public Health</p> <p>Alio Ibrahim was appointed as HSIF Board Member 2018. Alio is the Chief Officer Public Health. Prior to this appointment he served as the CEC Member of Marsabit Health. He has 16 years' professional experience in Ministry of Health. Chief Alio holds a Master in Public Health from Maseno University. Bachelor of Health System Management in Mt. Kenya University. He also holds Higher National Diploma in Public Health and Diploma in Health at Kenya Medical Training College Nairobi</p>


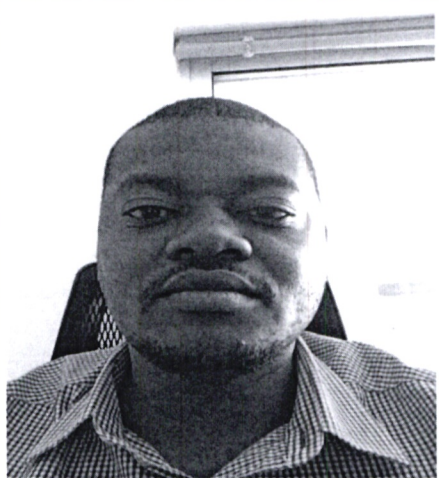
**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

Name	Details of qualifications and experience
	<p>Dr. David Mulewa Date of birth 24 April 1973 County Director Health Services</p> <p>Dr David Mulewa was appointed as HSIF Board Member on September 2019. Dr. David Mulewa is the County Director of Health in the Department. He worked in Lamu County since 2013 as Director of Health and later transferred to Kilifi on September 2019. Dr.Mulewa has 15 years’ professional experience in Ministry of Health. He holds MD Physician from Vinnitsa State Medical University Ukraine and a Master’s Degree in Health System Management and Application from Kenyatta University.</p>
	<p>CPA Racheal Bahati Date of birth 31 May 1984 Fund Administrator</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 eleven 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 completed her MBA classes initiating</p>

The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022

Name	Details of qualifications and experience
	proposal writing from The University of Nairobi.

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
	<p>CPA Racheal Bahati</p> <p>Date of birth 31 May 1984</p> <p>Fund Administrator.</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 eleven 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 completed her MBA classes initiating proposal writing from The University of Nairobi.</p>
	<p>Fred Nzai</p> <p>Date of birth 20 April 1988</p> <p>Fund Accountant</p> <p>Fred Nzai was appointed as the Fund accountant on 1 November 2022. Fred has more than 10 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>

4. BOARD CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the board Members, the Health Services Improvement Fund financial statements for the year ended 30 June 2022. 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 department has recently invested heavily in terms of procurement of equipment and health products, new infrastructure which will create adequate space for expansion of services. Newly established specialized services will not only boost the revenue, but also tap in more resources from partners who are interested to invest and utilize our facilities to facilitate research as well as promoting medical tourism.

The establishment of an EMR system which was already in the procurement stage was cancelled from the department thus the Hospitals decided to procure their own EMR system in phases to ensure improvement of collections as well as ensuring accountability in terms of payments for services rendered. This will in turn have a ripple effect on sustainability of this Fund since this Fund 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 KCB Pay bill number and sourced for KCB as the bank agents to collect cash in which KCB/Pay bill collection system has greatly improved revenue and assured the Fund of its long term sustainability. Once the EMR system is fully launched and synchronized with these collection methods, revenue collection shall not only improve, but also will be more reliable and safer since no service shall be rendered if not captured in the system and once a service is captured it means payment is registered.

Board and Management Changes

The County Department of Health Services is very keen in ensuring management structures are in place and functional in order to foster good management practices that will guarantee viability of business. Within the Leadership and Governance structure, there is the County Health Sector Improvement Fund Board. The Members of this board are gazetted with a renewable mandate of

BOARD CHAIRPERSON’S REPORT (CONTINUED)

3 years. In the period in question, the board members term was over but were reappointed as board members for another 3 years except for Mrs Witness Tsuma who was replace by a new appointed board member called Zena Salim.

Review of performance

Income

The total fund in the FY 2021/2022 was Kshs. 402,699,307. Kshs.378,032,383 was revenue collected from hospitals in the period and Kshs. 24,666,924 brought forward from FY 2020/2021.

Expenditures

The total expenditures during the period amounted to Kshs. 398,019,314 out of which the administration expenses amounted to Kshs. 63,616,044, general expenses Kshs. 334,403,270 representing 16% and 84% of total expenditures respectively.

Future outlook

The outlook of the Fund for 2022/2023 looks brighter. The Fund hopes to improve health care services delivery in the hospital and provide financial resources for medical supplies and small-scale equipping of Health Services in the county for basic operation and maintenance. The Fund focus is looking to build a robust and sustainable Fund with a motivated workforce and structures that will enhance efficiency and effectiveness in service delivery. The Fund looks forward to continued support from the county government and development partners to the realization of its mandate.

BOARD CHAIRPERSON'S REPORT (CONTINUED)

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.

Signed:



Peter Mwarogo

Board Chairman

5. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

It is my pleasure to present the Health Service Improvement Fund financial statements for the year ended 30 June 2022. The financial statements present the financial performance of the Fund for the financial year 2021/2022.

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 2021/2022 was Kshs. 418,426,159. During the financial year the Fund received revenue of Kshs 402,699,307 by the end of the financial year June 2022.

BUDGET ALLOCATION

In the year ended 30 June 2022, the Fund had projected revenues of Kshs 418,426,159 of which Kshs 402,699,307 was realised by Hospital collection revenue. This represented 96% revenue realization during the financial year.

Key Performance Highlights

Below is an overview of the financial performance for the year ended 30th June 2022 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

	FY2021/2022	FY2020/2021	Change	% Change
	KShs	KShs		
Total revenue	402,699,307	150,000,000	252,699,307	63%
Total expenses	398,019,314	161,547,762	236,471,552	59%

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

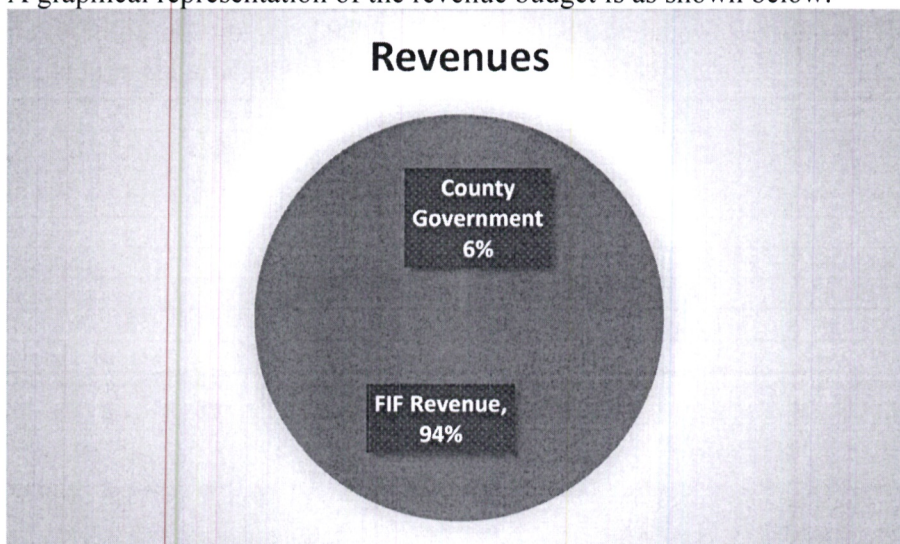
REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)

Total receipts increased by 63% due to increase funding to the Fund mainly through Transfers from the county Government of Kilifi while there was an increase of 59% in payments attributed to the increase funding and cash balance brought forward from the previous year.

Revenue

	FY2021/2022 KShs	FY2020/2021 KShs	Change	% Change
Revenue from non-exchange transactions				
Transfers from County Government	24,666,924	150,000,000	(125,333,076)	-508%
Transfers from FIF Revenue	378,032,383	-	378,032,383	100%
Total revenue	402,699,307	150,000,000	252,699,307	63%

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



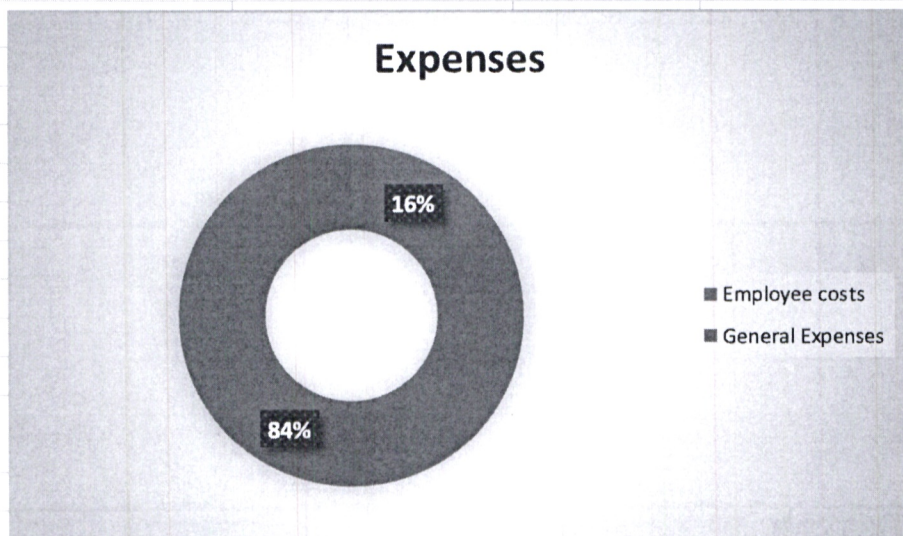
The Fund received 6% of its revenue from the county government of Kilifi and 94% from FIF as depicted above.

Budget Utilisation

The Fund spent KShs. 398,019,314 against an approved budget of KShs. 418,426,159 representing absorption of 95%. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

	Original budget 2022	Adjustments 2022	Final budget 2022	Actual on comparable basis 2022	Performance difference 2022	% utilisation 2022
Expenses						
Employee costs	48,344,482	15,608,971	63,953,453	63,616,044	337,409	99%
General Expenses	150,402,787	204,069,919	354,472,707	334,403,270	20,069,437	94%
Total expenditure	198,747,269	219,678,890	418,426,159	398,019,314	20,406,845	95%
Surplus for the period	-	-	-	4,679,993	(4,679,993)	-

REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)



It is noted that 16% of the HSIF budget was used on employee costs and 84% on the general expenses.

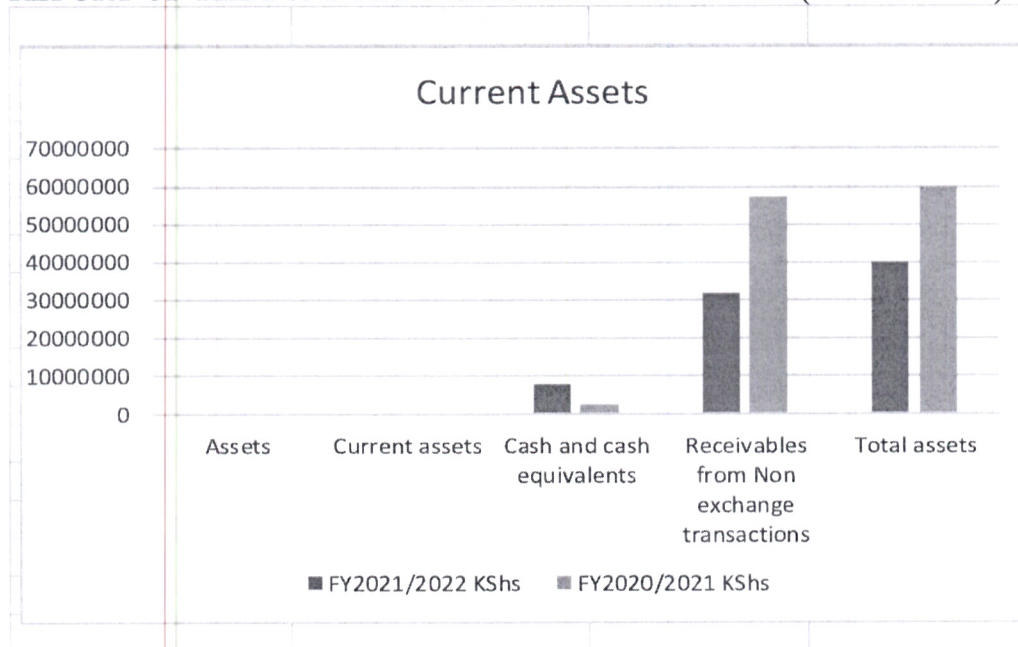
Financial Assets Summary

	FY2021/2022	FY2020/2021		
	KShs	KShs	Change	%Change
Assets				
Current assets				
Cash and cash equivalents	8,099,547	2,596,424	5,503,123	68%
Receivables from Non exchange transactions	31,843,813	57,292,376	(25,448,563)	-80%
Total assets	39,943,360	59,888,800	(19,945,440)	-12%

Bank balances Increased by 68% as a result of decreased spending towards year end. There was a decrease in accounts receivables by 80% as a result of transfers received from the county mainly after year end.

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)



Conclusion

FY 2021/2022 was a good year in general. Good progress was made and the momentum has been created to enable Health Service Improvement Fund continue on a trajectory into prosperity. We have identified gaps of which there is need of digitalisations of all hospital with an EMR system which has been installed in phases in some Hospitals, separation of the health department and Subcounty Hospitals. This will help on improvement of Hospital revenue collection and quality service delivery in the subsequent years.

Signed: _____ 

**CPA Racheal Bahati
Fund Administrator**

**6. STATEMENT OF PERFORMANCE AGAINST KILIFI HEALTH SERVICES
IMPROVEMENT FUND 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 2018-2022 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.

Progress on attainment of Strategic development objectives.

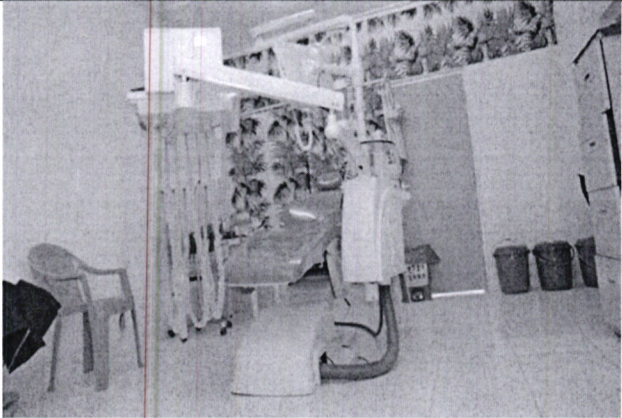
Below we provide the progress on attaining the stated objectives:




Program	Objective	Outcome	Indicator	Performance	Performance
				(2021/2022)	(2020/2021)
Health Service Improvement Fund	To Improve the quality of health care service in the hospitals	Improve health care service delivery in hospitals	Number of new outpatient (male)	702,999	562,119
			Number of new outpatient (female)	942,995	771,164
			Number of inpatient(admissions)under 5	7,554	6,704
			Number of inpatient (admissions) over 5	37,616	38,805
			Number of facility maternal death	44	34

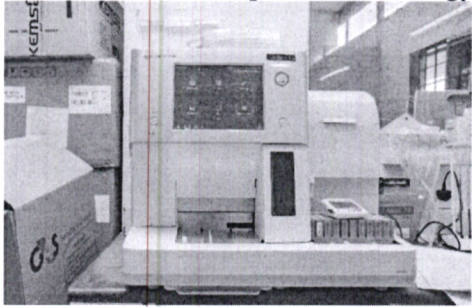
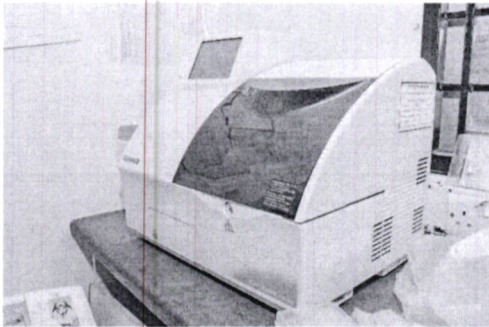

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

		Number of pregnant women attending at least four ANC visit	32,015	27,254
		Number of deliveries conducted by skilled attendant in health facilities	47,024	41,237
		Number of new born with low birth weight (LBW- less than 2,500 grams	4,510	3,587



Kilifi Health Service Improvement Fund has explored the opportunities presented by the fund to improve quality of health care services offered to her clients. Among the projects undertaken by the hospital financed by HSIF.

Projects	Narration
 <p>MARIAKANI SUB COUNTY HOSPITAL MODERN DENTAL CHAIR.</p>	<p>Fully equipped with a Modern Dental chair that has an intra oral camera and all its accessories at a cost of ksh 1,196,500.</p> <p>The Mariakani Sub County Hospital Dental unit was officially opened by Hon Arch. Charles K. Dadu CECM of Health Department on 10th March 2022.</p> <p>Project status is finished and the clinic is fully operational.</p>

<p>Hand held portable x-ray</p> 	<p>Mariakani Sub County Hospital procured a hand-held portable X-ray at cost of Ksh 686,000.</p>
<p>Before operationalization of the Ash pit</p>  <p>After operationalization of the Ash pit</p> 	<p>ASH PIT Mariakani Sub County Hospital needed an ash pit to handle the ash coming from the incinerator after burning of sharps.</p> <p>Project is finished and operationalized. The total cost was ksh 471,000.</p>

<p style="text-align: center;">Five part haematology machine</p>  <p style="text-align: center;">Chemistry analyzer</p> 	<p>Kilifi Hospital acquisition of lab equipment on placement. In this arrangement the hospital acquired advanced laboratory equipment and pays for reagents from the dealers.</p> <p>This has ensured that the laboratory has the latest equipment in good condition at all times.</p>
	<p>Installation of electronic medical records management system, MEDBOSS at Kilifi County Hospital.</p> <p>This system has been deployed in phases starting with medical records and revenue collection since financial year 2020/2021 and upgrade was done this financial year 2021/2022.</p> <p>This has enabled in depth analysis of medical records for informed decision making.</p> <p>Total cost was Kshs. 1,975,000</p>

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

	<p>Malindi Sub County Hospital Renovation of Drug store.</p> <p>Final total cost Ksh 3,200,000</p> <p>Has been commissioned and handed over to the hospital since April, 2022.</p>
	<p>Replacing of Malindi Sub county Hospital leaking roof of Emergency department and Maternity clinic roofs.</p> <p>Total cost Kshs. 1,600,00</p>

7. 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 19th September 2016. However, operationalization of the Fund commenced on 31st 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, but Gazettement was still pending and also training of the members which is a critical component as well as the members TORs.

However, this financial year the board Members terms did expire and the board members were reappointed and some were replaced.

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.

TERMS OF OFFICE AND TERMINATION OF MEMBERSHIP

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 meet quarterly or as required in order to monitor the implementation of the Fund's strategic plan and achievement of the targets in the performance contract. The board members also play an oversight role over all other financial and operational issues. The board held Three (3) full board during the FY 2021/2022 with all members participating. The board terms had expired during this financial thus only two meetings were held while awaiting appointments and gazettelement of the boards.

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: -

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- 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 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

HSIF Conducted induction and training of the board members who were appointed this financial year. The purpose of the training was to enable participants to gain better understanding of the background of health services and the laws, rules and regulations that guide these services towards improved access, accountability and effective utilization of resources.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The training enabled participants to gain knowledge and skills on their leadership, management and governance roles and responsibilities in order to effectively support the management of health facility resources.

Participants also acquire knowledge and skills on basic requirements of planning, including the planning cycle in a health facility and oversee the management of financial resources for the health facility in a way that would ensure adequate internal controls and financial risk management.

The board members gained knowledge and skills on supporting health facility workers for delivery of quality health services for better health outcomes within the community and strategies for mobilization resources and management for effective service delivery at your health facility.

INTERNAL CONTROL AND RISK MANAGEMENT

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.

Auditor

The Fund is audited by the Auditor-General.

8. ENVIRONMENTAL AND SUSTAINABILITY REPORT

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.

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 last wave pandemic of Covid19.

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 total revenues amounting to KShs. 402,699,307. 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.

Conclusion

We appreciate the unrelenting support from the board members, management, staff, the County Government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2022/2023.

10. REPORT OF THE BOARD CHAIRMAN

The Board submit their report together with the financial statements for the year ended June 30, 2022 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, 2022 are set out on page 1 to 31

Fund Board

The Board members of the Fund who served during the year are shown on page v to x there were changes in the Board during the FY 2021/2022.

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

**REPORT OF THE BOARD CHAIRMAN (CONTINUED)
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

Signed:



Peter Mwarogo

Board Chairman

Date:

19/12/22

11. 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, 2022. 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 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, 2022, and of the 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.

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES (CONTINUED)

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

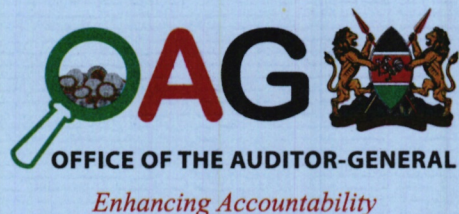
The Fund's financial statements were approved by the Board on 19/12 2022 and signed on its behalf by:



**CPA Racheal Bahati
HSIF Administrator**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON THE KILIFI COUNTY HEALTH SERVICES IMPROVEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of The Kilifi County Health Services Improvement Fund set out on pages 1 to 31, which comprise the statement of financial

position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Kilifi County Health Services Improvement Fund as at 30 June, 2022 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 and the Kilifi County Health Services Improvement Fund Act, 2016.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of The Kilifi County Hospital Services Improvement Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.418,426,159 and Kshs.402,699,307, respectively, resulting in an under-funding of Kshs.15,726,852 (or 4%) of the budget. Similarly, the Fund spent Kshs.398,019,314 against an approved budget of Kshs.418,426,159, resulting in an under-expenditure of Kshs.20,406,845 (or 5%) of the budget.

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2022. Management did not provide reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the 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 are in compliance with the authorities which govern them and that public money is applied in an effective manner.

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 March, 2023

The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022

13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	FY2021/2022 KShs	FY2020/2021 KShs
Revenue from non-exchange transactions			
Transfers from County Government	1	24,666,924	150,000,000
Transfers from FIF Revenue	2	378,032,383	-
Total revenue		402,699,307	150,000,000
Expenses			
Employee costs	3	63,616,044	39,334,335
General Expenses	4	334,403,270	122,411,027
Total expenses		398,019,314	161,745,362
Surplus/(deficit) for the period		4,679,993	(11,745,362)

The notes set out on pages 20 to 23 form an integral part of these Financial Statements.



Administrator of the Fund

Name: Racheal Bahati

ICPAK Member Number:21112



Fund Accountant

Name: Fred Nzai

ICPAK Member Number: N/A

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	FY 2021/2022	FY2020/2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	5	8,099,547	2,596,42
Receivables From Non Exchange Transactions	6	31,843,813	57,292,376
Total Assets		39,943,360	59,888,800
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	7	13,592,477	38,217,910
Total Liabilities		13,592,477	38,217,910
Net Assets		26,350,883	21,670,890
Accumulated Surplus		26,350,883	21,670,890
Total Net Assets and Liabilities		39,943,360	59,888,800

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 19/12 2022 and signed by:



Administrator of the Fund

Name: Racheal Bahati

ICPAK Member Number:21112



Fund Accountant

Name: Fred Nzai

ICPAKMemberNumber: N/A

The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022

13.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Accumulated surplus	Total
	KShs	KShs
Balance as at 1 July 2020	-	-
Surplus/(deficit) for the period	21,670,890	21,670,890
Balance as at 30 June 2021	21,670,890	21,670,890
Balance as at 1 July 2021	21,670,890	21,670,890
Surplus/(deficit) for the period	4,679,993	4,679,993
Balance as at 30 June 2022	26,350,883	26,350,883



Administrator of the Fund

Name: Racheal Bahati

ICPAK Member Number:21112



Fund Accountant

Name: Fred Nzai

ICPAKMemberNumber: N/A

The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022

13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	FY2021/2022 KShs	FY2020/2021 KShs
Cash flows from operating activities			
Receipts			
Transfers from County Government	1	24,666,924	150,000,000
Transfers from FIF Revenue	2	378,032,383	-
Total Receipts		402,699,307	150,000,000
Payments			
Employee costs	3	63,616,044	39,334,335
General Expenses	4	334,403,270	122,411,027
Total Payments		398,019,314	161,745,362
Net cash flows from operating activities		4,679,993	(11,745,362)
Adjusted for:			
Decrease/(Increase) in Accounts receivable:	9	25,448,563	(9,501,923)
Increase/(Decrease) in Accounts Payable:	10	(24,625,433)	18,808,889
		5,503,124	(2,438,396)
Net increase/(decrease) in cash and cash equivalents		5,503,124	(2,438,396)
Cash and cash equivalents at 1 JULY 2021		2,596,424	5,034,821
Cash and cash equivalents at 30 JUNE 2022	5	8,099,547	2,596,424



Administrator of the Fund

Name: Racheal Bahati

ICPAK Member Number:21112



Fund Accountant

Name: Fred Nzai

ICPAKMemberNumber: N/A

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2022**

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2022.

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022	2022	2022	2022	2022	2022
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfers from County Govt & FIF Revenue	198,747,269	219,678,890	418,426,159	402,699,307	15,726,852	96%
Total income	198,747,269	219,678,890	418,426,159	402,699,307	15,726,852	96%
Expenses						
Total	48,344,482	15,608,971	63,953,453	63,616,044	337,409	99%
General Expenses	150,402,787	204,069,919	354,472,707	334,403,270	20,069,437	94%
Total expenditure	198,747,269	219,678,890	418,426,159	398,019,314	20,406,845	95%
Surplus for the period	-	-	-	4,679,993	(4,679,993)	-

Budget notes

1. Ksh **219,678,890**. Changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

13.6 SUMMARY OF 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) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1 January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1 January 2023.

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:	
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the 	<p>There was no impact of the amendment to IPSAS 41 with respect to the current financial report.</p>

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

Standard	Effective date and impact:	
	accounting treatment for instruments held as part of the risk management strategy.	
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1 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>There was no impact of the amendment to IPSAS 42 with respect to the current financial report</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1 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. 	<p>There was no impact of the amendment to IPSAS 41 with respect to the current financial report</p>

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

Standard	Effective date and impact:	
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <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>	
Other improvements to IPSAS	<p>Applicable 1 January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • IPSAS 39: Employee Benefits <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>	There was no impact of the amendment other improvement to IPSAS with respect to the current financial report

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

Standard	Effective date and impact:	
IPSAS 43	<p><i>Applicable 1 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>	There was no impact of the amendment to IPSAS 43 with respect to the current financial report
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1 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>	

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

1. 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 non-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.

2. Budget information

The original budget for FY 2021-2022 was approved by the County Fund Board on 26 July 2021. 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. 418,426,159 on the FY 2021-2022 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
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

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 12.5 of these financial statements.

3. 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.

4. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial

asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

6. 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.

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

7. 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.

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

8. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

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.

9. 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

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

10. 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.

11. 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.

12. 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/Trustee, the Fund Managers and Fund Accountant.

13. 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 balance includes amount held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

14. Comparative figures

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

15. Events after the reporting period

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

16. 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.

17. Currency

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

18. 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, there were no assumptions or estimates on the preparation of the financial statements this financial year ended 30th June 2021.

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.

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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

c) Provisions

Provisions were not applicable.

The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022

14. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY2021/2022 KShs	FY2020/2021 KShs
Transfers from County Govt. – operations	24,666,924	150,000,000
Total	24,666,924	150,000,000

2. Transfers from FIF Revenue

Description	FY2021/2022 KShs	FY2020/2021 KShs
Transfer of funds FIF Revenue Account	378,032,383	-
Total	378,032,383	-

3. Employee costs

Description	FY2021/2022 KShs	FY2020/2021 KShs
Basic Wages - Temporary Employees	63,236,044	39,136,735
Social Security Contribution	380,000	197,600
Total	63,616,044	39,334,335

4. General expenses

Description	FY2021/2022 KShs	FY2020/2021 KShs
Utilities, supplies and services	1,090,641	1,049,670
Communication, supplies and services	7,797,792	5,048,579
Domestic travel and subsistence	79,290,504	32,471,740
Printing, advertising and information supplies & services	22,045,597	329,997
Rentals of produced assets	171,900	275,000
Training expenses	344,200	-
Hospitality supplies and services	39,181,507	8,601,786
Specialised materials and services	84,894,356	37,268,027
Office and general supplies and services	30,940,780	11,994,393
Fuel Oil and Lubricants	19,983,773	10,855,037
Other operating expenses	889,559	58,640
Routine maintenance – vehicles and other transport equipment	8,481,200	3,651,974
Routine maintenance – other assets	13,366,293	5,788,578
Purchase of Household Furniture and Institutional Equipment	933,442	439,573
Purchase of Office Furniture and General Equipment	16,669,370	3,563,938
Purchase of Specialised Plant, Equipment and Machinery	8,322,356	1,014,096
Total	334,403,270	122,411,027

The Kilifi County Health Services Improvement Fund
 Revised Annual Reports and Financial Statements
 For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Cash and cash equivalents

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Current account	8,099,547	2,596,424
Total cash and cash equivalents	8,099,547	2,596,424

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

Description	Account number	FY2021/2022	FY2020/2021
		KShs	KShs
Current account			
Co-Operative Bank			
KCG KILIFI COUNTY HOSPITAL HSIF ACCOUNT	1141779148100	2,800,229	31,881
KCG MALINDI SUB COUNTY HOSPITAL HSIF ACCOUNT	1141264373900	55,097	766
KCG MARIAKANI SUB COUNTY HOSPITAL HSIF ACCOUNT	1141764338000	2,665,496	115,276
KCG JIBANA SUB COUNTY HOSPITAL HSIF	1141779145300	198,223	38,369
KCG BAMBA SUBCOUNTY HOSPITAL HSIF ACCOUNT	1141779145400	2,008,937	2,408,598
Sub- total		7,727,982	2,594,890
Kenya Commercial bank			
CGK-COUNTY HEALTH MANAGEMENT HSIF	1272367622	368,900	1,030
KCG-HSIF EXPENDITURE ACCOUNT	1270272071	2,666	504
Sub- total		371,565	1,534
Central Bank of Kenya			
Kilifi County Health Services Improvement Fund	1000394897	-	-
Grand total		8,099,547	2,596,424

The Kilifi County Health Services Improvement Fund
 Revised Annual Reports and Financial Statements
 For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.Receivables from non exchange transactions

Description	FY2021/2022 KShs	FY2020/2021 KShs
Current Receivables		
Transfers from county Treasury	31,843,813	55,616,156
Staff outstanding Imprest	-	1,356,050
Prepayments	-	320,170
Total Current receivables	31,843,813	57,292,376
Total receivables from non exchange transactions	31,843,813	57,292,376

7.Trade and other payables from exchange transactions

Description	FY2021/2022 KShs	FY2020/2021 KShs
Trade payables	13,592,477	38,217,910
Total trade and other payables	13,592,477	38,217,910

8.Cash generated from operations

	FY2021/2022 KShs	FY2020/2021 KShs
Surplus for the year before tax	4,679,993	(11,745,362)
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	25,448,563	(9,501,923)
Increase in payables	(24,625,433)	18,808,889
Net cash flow from operating activities	5,503,124	(2,438,396)

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Changes in Accounts Receivables

Description	FY2021/2022 KShs	FY2020/2021 KShs
Account receivable as at 1 st July 2021	57,292,376	-
Account receivable as at 30th June 2022	31,843,813	57,292,376
Net changes in account receivables	25,448,563	57,292,376

10. Changes in Accounts Payables

Description	FY2021/2022 KShs	FY2020/2021 KShs
Accounts Payable as at 1 st July 2021	38,217,910	38,217,910
Accounts Payable as at 30th June 2022	13,592,477	38,217,910
Net changes in account Payables	(24,625,433)	-

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

OTHER DISCLOSURES

11. 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) County Assembly;
- d) Key management;
- e) Board of Trustees;

b) Related party transactions

	FY2021/2022 KShs	FY2020/2021 KShs
Transfers from related parties'	402,699,307	150,000,000
Total	402,699,307	150,000,000

c) Key management remuneration

	FY2021/2022 KShs	FY2020/2021 KShs
Board of Members allowances	1,088,800	1,107,200
Key Management Compensation	-	-
Total	1,088,800	1,107,200

OTHER DISCLOSURES (CONTINUED)

12. 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:

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

OTHER DISCLOSURES (CONTINUED)

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2022				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	31,843,813	-	-	-
Bank balances	8,099,813	-	-	-
Total	39,943,360	-	-	-
	-	-	-	-
At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	57,292,376	-	-	-
Bank balances	2,596,424	-	-	-
Total	59,888,800	-	-	-

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 entity has significant concentration of credit risk on amounts due from 30 June 2022.

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 Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

OTHER DISCLOSURES (CONTINUED)

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	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2022				
Trade payables	13,592,477	-	-	13,592,477
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	13,592,477	-	-	13,592,477
At 30 June 2021				
Trade payables	38,217,910	-	-	38,217,910
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	38,217,910	-	-	38,217,910

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

OTHER DISCLOSURES (CONTINUED)

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

d) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2022			
Financial assets	39,943,360	-	39,943,360
Debtors/ receivables	31,843,813	-	31,843,813
Liabilities			
Trade and other payables	13,592,477	-	13,592,477

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

OTHER DISCLOSURES (CONTINUED)

e) 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:

	2021/2022	2020/2021
	KShs	KShs
Accumulated surplus	26,350,883	21,670,890
Total funds	26,350,883	21,670,890
Less: cash and bank balances	(8,099,547)	(2,596,424)
Net debt/ (excess cash and cash equivalents)	18,251,336	19,074,466
Gearing	69%	88%

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

15. 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: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1. 1.1	<p>Management of Imprests</p> <p>Un-Surrendered Overdue Imprests</p> <p>Audit review of the imprests register revealed overdue imprests amounting to Kshs.1,356,050 as at 30 June, 2021. This is contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which requires a holder of a temporary imprest to account for or surrender the imprest within seven (7) working days after returning to duty station.</p>	Detailed explanations to observation given in the Audit response	Not Resolved	

**The Kilifi County Health Services Improvement Fund
Revised Annual Reports and Financial Statements
For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1.2	<p>Un-procedural Issuance of Imprests</p> <p>The Fund Management issued imprests amounting to Kshs.10,395,800 to individual officers on behalf of others, contrary to Regulation 93(3) and (4) of the Public Finance Management (County Governments) Regulations, 2015. The regulation stipulates that temporary imprests shall be issued mainly in respect of official journey to provide officers with funds for meeting travel, accommodation and incidental expenses and shall be issued to an officer in his or her own name after ensuring that the applicant has no outstanding imprests.</p> <p>The Management was therefore in breach of the Law.</p>	Detailed explanations to observation given in the Audit response	Not Resolved	