

REPUBLIC OF KENYA



*Enhancing Accountability*

# REPORT

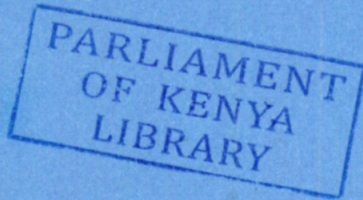
OF

THE AUDITOR-GENERAL

ON

**BUSIA COUNTY HEALTH SERVICES FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2023**



PAPERS LAID	
DATE	19/03/2024
TABLED BY	ML
COMMITTEE	-
CLERK AT THE TABLE	Carlyne Chrop



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**THE BUSIA COUNTY HEALTH SERVICES FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2023**

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

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*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**1. Acronyms and Glossary of Terms**

**a) Acronyms**

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
EEL	Expected Expenditure Loss

**b) Glossary of Terms**

Fiduciary Management	The key management personnel who had financial responsibility
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## **2. Key Fund Information and Management**

### **a) Background information**

The Busia County Health Services Fund is established by and derives its authority and accountability from The Busia County Health Services Fund Act, 2015. The Fund is wholly owned by the County Government of Busia and is domiciled in Kenya.

The Fund's objective is to provide a framework for performance-based-financing for efficient and effective delivery of health services in the County by sustainably operating, maintaining, equipping, rehabilitating and procuring emergency medical supplies in health facilities in the County and providing funding for the day-to-day operations of hospitals and other health facilities.

The Fund's principal activity is to provide funding for the day-to-day operations of hospitals and other health facilities

### **b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to:

- i) Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the county.
- ii) Support capacity building in the management of health facilities.
- iii) Support and empower rural communities to take charge of improving their own health facilities.
- iv) Give decision making autonomy to health facilities committees to plan and manage their resources within their control.
- v) Co-ordinate the provision of health services by the county and development partners in the interest of the public.
- vi) Provide a mechanism for partnership to support the county health services delivery management, financing and operations objectives.
- vii) Facilitate the mobilization, management and administration of resources by the county, the community and health development partners to meet services delivery objectives in the health facilities in the County.
- viii) Establish a framework to allow for collaboration with development partners in the health sector to manage revenue for health and pharmaceutical services provided in the County.
- ix) Receive and disburse grants for strengthening of health facilities through their respective health management committees.
- x) Improve the quality of health care services in health facilities.

**The Busia County Health Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**c) Fund Administration Board**

Ref	Name	Position
1	Mr Charles Mubweka	Chairman
2	Mr Jonathan Inno	Member, Chief Officer, Health (Secretary)
3	CPA Gypson Wafula	Member, Chief Officer, Finance
4	Mr Nicholas Khabala	Member
5	Mr John Masinde	Member
6	Mr Francis Otwani	Member
7	Rev Dr. Stephen Manya	Member
8	Mrs. Theodora Bwire	Member
9	Dr Janerose Ambuchi	Member, Director
10	Dr Melisa Lutomia	Member, Director
11	Dr David Mukabi	Member, Director
12	Prof. Sylvester Kimaiyo	Member
13	CPA Kenneth Odero	Member, Fund Administrator

**d) Key Management team**

Ref	Name	Position
1	CPA Kenneth Odero	Fund Administrator
2	CPA Thomas Wegullo	Accountant

**e) Fiduciary Oversight Arrangements**

SN	Position	Name
1	Directorate Internal Audit	CPA Zaddock Koech
2	Office of the Auditor General	Auditor General
2	County Health Management Team	Dr Melisa Lutomia

**f) Registered Offices**

P.O. Box 1040-50400  
Busia County Referral Hospital  
ICU Building  
Busia, KENYA

*The Busia County Health Services Fund*  
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**g) Fund Contacts**

Telephone:(254) 715001755

(254) 722631057

E-mail: [Busiacountydhealth@gmail.com](mailto:Busiacountydhealth@gmail.com)

**h) Fund Bankers**

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

**Key Fund and Management (Continued)**

**i) Independent Auditors**



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

**j) Principal Legal Adviser**





Busia County Attorney  
P.O. Box Private Bag-50400  
Busia, Kenya

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**3. Board Members**



Name	Details of qualifications and experience
<p>1. Mr. Charles Mubweka, Chairman</p> 	
<p>2. Dr, Susan Outa, Secretary</p>	
<p>3. CPA Gypson Wafula</p>	
<p>4. Mr. Nicholas Khabala</p> 	<p>Date of Birth: 8 August 1952</p> <p>Academic Qualifications: Higher Diploma in hospital administration, South Bank Polytechnic, London ,UK. MSc Health Services and Hospital Management, South Bank University, London, UK.</p> <p>Profession: Hospital Administrator</p> <p>Work Experience: Over 30 years in hospital administration and managerial services.</p>

**The Busia County Health Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

<p>5. Mr. John Masinde</p> 	<p>Date of Birth: 1950</p> <p>Academic qualifications: Bachelor of Commerce – University of Nairobi</p> <p>Master of Business administration, Strategic Management – University of Nairobi.</p> <p>Profession: Financial and management expert/Consultant</p> <p>Work Experience: Over 20 years consultancy experience in financial management, project management, financial analysis and accountancy.</p>
<p>6. Mr. Francis Otwani</p> 	<p>Academic Qualification: Diploma in General Nursing – Kenya Medical Centre, Nairobi. Senior Management Course, KSG, Training on technical evaluation on medical supply tenders, Training of trainers’ injection safety logistics management course, Nakuru</p> <p>Profession: Nurse</p> <p>Work Experience: Over 30 years working in nursing in the Ministry of Health, Kenya</p>
<p>7. Mrs. Theodora Bwire</p> 	<p>Date of Birth: 10 May 1940</p> <p>Academic Qualification: Diploma in Hospital Nursing, The Royal College of Nursing, London, England. Diploma in Midwifery, Lady Grigg maternity Hospital, Nairobi, Kenya. Diploma in Nursing and Nutrition, KMTC, Nairobi, Kenya.</p> <p>Profession: Nurse</p> <p>Work Experience: Over 40 years in nursing in the Ministry of Health – Kenya and consultancy experience in project management in the health sector.</p>
<p>8. Rev. Dr. Stephen Many</p>	
<p>9. Dr. Janerose Ambuchi</p> 	<p>Academic Qualifications: Degree in Medicine and Surgery from the University of Nairobi. Master in Obstetrics and Gynaecology from University of Nairobi.</p> <p>She worked as a Medical Officer of Health at the Kakamega Provincial General Hospital before deployment at Mukumu Mission Hospital on secondment, where she initiated and ran the Comprehensive Care Centre (CCC) for the holistic management of HIV/AIDs.</p>

*The Busia County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

	<p>A member of the Kenya Medical Association (KMA), Kenya Obstetrical and Gynaecological Society (KOGS), Kenya Medical Pharmacists and Dentists Union as well as East, Central and South Africa College of Obstetrics and Gynaecology (ECSACOG).</p>
<p>10. Dr. Melisa Lutomia</p>	
<p>11. Dr. David Mukabi</p> 	<p><b>Academic qualifications:</b> Master of Medicine (Family Medicine) Moi University, Bachelor of Medicine and surgery, Moi University</p> <p><b>Professional experience:</b> Dr. Mukabi has over 18 years experience as a medical doctor having worked and held various leadership positions in different institutions across the republic. He is the immediate former medical superintendent at Busia County Referral Hospital. He is currently the county lead on achieving universal health coverage and the team is spearheading increased access to health care financing through increased enrolment to NHIF and other health insurance schemes across the county</p>
<p>12. Prof. Sylvester Kimaiyo</p> 	<p><b>Academic Qualifications:</b> Indiana University School of Medicine, Fellowship in Clinical Pharmacology University of Nairobi, Internal Medicine. Graduated with a degree Master of Medicine in Internal Medicine University of Nairobi, Medicine and Surgery. Graduated with a degree of Bachelor of Medicine and Bachelor Surgery.</p> <p>Professor Sylvester Kimaiyo (MBChB, M. Med, Clin. Pharm, CTM, OGW) has over 35 years of experience as a Medical Doctor of great international repute, 25 of these as a Medical Specialist in Internal medicine. He also has over 18 years of hands-on experience in Program Management, having managed the Academic Model Providing Access to Healthcare (AMPATH) Program from inception. AMPATH is one of the largest and most comprehensive HIV Care, Training and Research institutions in Africa.</p>

*The Busia County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

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13. CPA Kenneth Odera



Date of Birth: September 10, 1975


Academic qualifications: Bachelor of Commerce, Accounting – University of Nairobi, Master of Business Administration, Strategic Management – University of Nairobi.

Professional qualifications: Certified Public Accountant (CPA(K)) and a member of Institute of Certified Public Accountants of Kenya(ICPAK).

Work Experience: Over 15 years in finance and accounting

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**4. Management Team**

Name	Details of qualifications and experience
<p>1. CPA Kenneth Odera</p> 	<p>Date of Birth: September 10, 1975</p> <p>Academic qualifications: Bachelor of Commerce, Accounting – University of Nairobi, Master of Business Administration, Strategic Management – University of Nairobi.</p> <p>Professional qualifications: Certified Public Accountant (CPA(K)) and a member of Institute of Certified Public Accountants of Kenya(ICPAK).</p> <p>Work Experience: Over 15 years in finance and accounting</p> <p>Area of responsibility: Fund Administrator</p>
<p>2. CPA Thomas Wegullo</p>	

***The Busia County Health Services Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**5. Board Chairperson's Report**


Kenya recognises the importance of health financing in its structure and has adopted and domesticated Healthcare Financing as part of its building blocks as a key pillar in its policy documents. The success in the operations of health facilities hinges on their ability to operate with considerable degree of both financial and managerial autonomy. This will ensure they operate effectively and efficiently.

To realise the above, and in the spirit of strengthening the journey towards attainment of Universal Health Coverage (UHC), the County established The Busia County Health Services Fund Board that ~~was created through the enactment of The Busia County Health Services Fund Act of 2015~~ continued to undertake its activities in accordance with its mandate as spelt out in the Act. Among the functions were to mobilize resources for improvement of health outcomes, collaborating with development partners with regard to funding of health services, implementation of innovative approaches to health and healthcare and oversee allocation of monies from the fund the generating health entities , and lastly establish systems to monitor and manage resources collected or disbursed to health through the fund.

The Board made great strides in the FY 2021/2022, the most significant being amendment to the Act that was targeted at enabling smoother operations for the fund, by allowing the health facilities receive back resources generated by them. The amended law was gazetted and assented into law on the 3<sup>rd</sup> of August 2021, published in the Kenya Gazette on the 6<sup>th</sup> September 2021 and became operational on the 20<sup>th</sup> September 2021. During the period under review, the board retained its membership as gazetted in 2019 except for one member representing the religious sector who was replaced by another upon her retirement from the Church. The board managed to hold 2 board meetings as opposed to required 4 due to erratic availability of funds from the County Treasury. Through the County Budget, the Fund was allocated Ksh 78,608,821 as annual allocation of the Fund's activities. However, the figure was adjusted in the supplementary budget to 64,951,783. The board had its deliberation on the 16<sup>th</sup> February 2023 to deliberate on the distribution of Ksh 19,500,000 being first quarter allocation and 26<sup>th</sup> May 2023 to distribute Ksh 16,500,000 allocation to the public health facilities. During the year under review, only one disbursement of Ksh 19,500,000 was made by the County treasury to the Health facilities.

We look forward to successful running and operations of the board.

Name: **Charles Mubweka**  
**Chairperson of the Board**

Signature  Date 19/12/2023

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**6. Report of The Fund Administrator**

The office of the Funds Administrator was established under section 12 (1) of the Busia County Health Services Fund (Amendment) Act, 2021.

During the period under review the Board did not undertake its activities optimally as anticipated due to limitation of funds. However, the board managed to hold two meetings during the financial year 2022/2023. During the year, Ksh 78,883,139 was allocated to the fund in the county budget. However, the amount was reduced to Ksh 64,951,783 in the supplementary budget. Out of this total, the Fund received Ksh 19,500,000 as the first quarter allocation which in its sitting on 16 February 2023, the board allocated to health facilities across the county. The distribution was as follows: Ksh 2,502,568 to 18 Health centres, Ksh 2,502,568 to 63 Dispensaries, Ksh 13,804,549 to 13 sub county hospitals together with the County Referral Hospital, while the 3 % board administrative expense amounted to Ksh 584,942. These funds were disbursed to the respective entities and it assisted facilities in cushioning themselves against obligations that required financial support.

The second transfer of funds of Ksh 12,500,000 to the Fund's special purpose account was done. However, as at the end of the financial year, these funds were yet to be disbursed to the health facilities by the county treasury despite the board having had its sitting on 26<sup>th</sup> May 2023 to allocate and approve the budgets.

In the Financial year 2023/2024, the fund has received an allocation of Ksh 20,000,000 down from Ksh 78,883,139 the previous year representing a drop of 294% . These resources will be deliberated by the board and the same disbursed to facilities in agreed upon ratios based on what the facilities generate. It is also hoped that the collections will be prudently utilized and the office of the Fund Administrator will ensure proper controls are in place and funds are used and accounted for in accordance with the laid down procedures

**Expenditures**

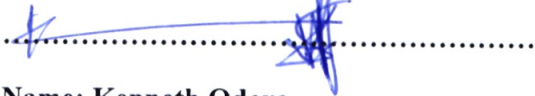
A total of Ksh 18,501,036 was paid to all the health facilities as well as other service providers.

Ksh 942,000 was paid to Kenya Power and Lighting Company to settle part of the power bills for the subcounty hospitals across the county.

I take this opportunity to thank all Board members for their support. I would also want to thank all stakeholders including staff who we tirelessly worked together to ensure that The Busia County Health Services Fund achieves its mandate during the financial year 2022/2023.

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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A handwritten signature in blue ink, appearing to be 'Kenneth Odera', is written over a horizontal dotted line. The signature is somewhat scribbled and extends across the line.

**Name: Kenneth Odera**

**Fund Administrator**

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**7. Corporate Governance Statement**

The Busia County Health Services Fund was established by the enactment of The Busia County Health Services Fund Act, 2015 and The Busia County Health Services Fund Act regulations, 2018.

However, the Act was amended in the year 2021 by The Busia County Health Services Fund (Amendment) Act 2021. The amended law was gazetted and assented into law on the 3<sup>rd</sup> of August 2021, published in the Kenya Gazette on the 6<sup>th</sup> September 2021 and became operational on the 20<sup>th</sup> September 2021.

The fund also complies with PFM Act, 2012 and guidelines as provided by Treasury.

During this period, the board managed to hold 2 board meetings as opposed to required 4 due to some administrative challenges however, attendance in both meetings was commendable as all members attended both meetings.

The Board comprises of ;

The Chief Officer in charge of health services in the county who serves as the secretary to the Board, the Chief Officer of Finance, the County Director of Health and sanitation, one person appointed to represent partners contributing to the Fund, two people to represent the leadership of the hospital management committees, three persons to represent members of the public who are competitively sourced by the County Public Service Board.

The chairperson is elected by members of the Board from amongst members representing the Public.

The functions of the Board are:

- a) Advise the County Executive Committee on matters relating to resource mobilisation for the purpose of rendering health services in the County and collaboration with third parties with regard to provision of efficient health services in the County.
- b) Collaborate with the County Treasury and mobilise resource required for the purposes of the Busia Health Services Act.
- c) Collaborate with development partners with regard to funding health services in the County
- d) Implement new and innovative approaches to health and healthcare
- e) Help to improve pharmaceutical availability and provide needed emergency healthcare and medical services and reduce morbidity

*The Busia County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

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- f) Under the direction and superintendence of the County Treasury, in accordance with provisions of the Busia Health Services Act and the PFM Act, prudently and professionally manage the Fund
- g) Establish revolving fund management committees at all health facilities in the county and generally oversee their operations under the general supervision of the Executive Committee Member.

A board member may be removed from office for,

- a) Violation of the constitution or any other law
- b) Gross misconduct whether in the performance of the member's functions or otherwise,
- c) Physical and mental incapacity
- d) Incompetence or neglect of duty

Remuneration of Board members is done as directed by enforceable circulars from salaries and remunerations commission (SRC).

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**8. Management Discussion and Analysis**

The Busia County Health Services Fund was established by the enactment of The Busia County Health Services Fund Act, 2015 and The Busia County Health Services Fund Act regulations, 2018.

However, the Act was amended in the year 2021 by The Busia County Health Services Fund (Amendment) Act 2021. The amended law was gazetted and assented into law on the 3<sup>rd</sup> of August 2021, published in the Kenya Gazette on the 6<sup>th</sup> September 2021 and became operational on the 20<sup>th</sup> September 2021.

In the reporting period, due to limitation of funds, the Board did not undertake its activities optimally as anticipated. However, the board managed to hold two meetings during the financial year 2022/2023. During the year, Ksh 78,883,139 was allocated to the fund in the county budget. However, the amount was reduced to Ksh 64,951,783 in the supplementary budget. Out of this total, the Fund received Ksh 19,500,000 as the first quarter allocation which in its sitting on 16 February 2023, the board allocated to health facilities across the county. The distribution was as follows: Ksh 2,502,568 to 18 Health centres, Ksh 2,502,568 to 63 Dispensaries, Ksh 13,804,549 to 13 sub county hospitals together with the County Referral Hospital, while the 3 % board administrative expense amounted to Ksh 584,942. These funds were disbursed to the respective entities and it assisted facilities in cushioning themselves against obligations that required financial support.

The second transfer of funds of Ksh 12,500,000 to the Fund's special purpose account was done. However, as at the end of the financial year, these funds were yet to be disbursed to the health facilities by the county treasury despite the board having had its sitting on 26<sup>th</sup> May 2023 to allocate and approve the budgets.

The main challenge experienced by the fund during the period was the delayed disbursement of the funds by the treasury. The Board's recommendation is that in future, the county treasury should prioritise disbursement of funds as required the provisions of the Busia County Health Services

**9. Environmental and Sustainability Reporting**

**Sustainability strategy and profile**

Busia County Health Services Fund is to provide funding for the day-to-day operations of hospitals and other health facilities

To fund its operations, relies on budgetary allocation appropriated by the county assembly. In financial year 2022/2023, the fund received a total of Ksh 32 million.

Since the main source of the fund is the county budget, it poses a potential risk when the fund is not allocated sufficient resources to run its affairs.

**Environmental performance**

The fund has embraced environmentally friendly activities. Most of the activities are done on a paperless basis. To guide its operations with regard to obsolete asset disposals, the fund works with the County directorate of Supply Chain Management and has adopted Public procurement and Disposal Act of 2015. It also laisses with the directorate of Environment which enforces the Environmental Management and Coordination Act of 2015 (Amended).

**Employee welfare**

Employment, promotion and termination employment of the fund staff both board members and permanent staff is done by Busia County Public Service Board under public service board and County Human Resource manual of 2016. Staff are to be promoted after every 3 years. This is after job evaluation and appraisal done by the same board in conjunction with Busia County Public Service Management and administration.

Terms of employment as well as benefits are guided by Salaries and Remuneration Commission.

Recruitment of Board members is contained in the Busia County Health Services Fund Act 2015 and its enabling regulations of 2018.

**Market place practices**

The fund laisses with the County Treasury through the directorate of supply chain management to source for goods and services. In so doing the fund ensures that it is in compliance with the set rules guiding acquisition of goods and services using public funds. The Busia County Health Services Fund Act 2015 in section 12 provides for penalties for offences for any person that contravenes any of its provisions.

All information with regards to the fund is always made available to all interested parties when right channels are followed within the law. To create awareness about the fund, the board through its secretary and fund administrator always shares information with all facility in charges on the availability of the funds and other medical supplies. The board has also circulated the fund acts and regulations to stakeholders to familiarise with the fund operations.

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**10. Report of the Board**

The Board submits its report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund are to provide funding for the day-to-day operations of hospitals and other health facilities

**Results**

The results of the Fund for the year ended June 30, 2023 are set out on page 1-7


**Board Members**

The members of the Board of who served during the year are shown on page v-ix. The changes in the Board during the financial year are as shown below:

**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

  
.....

**Chair of the Board**

Date: 19/12/2023

***The Busia County Health Services Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**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 Administrator of a County Public Fund established by the Busia County Health Services Fund (Amendment) Act, 2021 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Busia county health facilities improvement fund. 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, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. OR

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 19/12 2023 and signed on its behalf by:

KENNETH ODERO

**Administrator of the Busia County Health Services Fund**

# 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 BUSIA COUNTY HEALTH SERVICES FUND FOR THE YEAR ENDED 30 JUNE, 2023**

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### **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 the Government achieves value for money and that such funds are applied for intended purpose; and,
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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 defined 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, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Busia County Health Services Fund set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net

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*Report of the Auditor-General on Busia County Health Services Fund for the year ended 30 June, 2023*

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Busia County Health Service Fund as at 30 June, 2023, 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 Busia Health Services Fund Act, 2015.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Busia County Health Service 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 judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.64,951,356 and Kshs.32,000,000 respectively, resulting to under-funding of Kshs.32,951,356 or 51% of the budget. Similarly, the statement reflects total actual expenditure of Kshs. 18,501,036 against approved budget of Kshs.64,951,356 resulting to under-performance of Kshs.46,450,320 or 72% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion however, is not modified in respect to this matter.

## 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 those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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, risk management and overall governance.

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 applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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*Report of the Auditor-General on Busia County Health Services Fund for the year ended 30 June, 2023*

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 resources are applied in an effective way.

Those charged with governance are 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 control 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 control would not necessarily disclose all matters in the internal control 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 non-compliance. 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 continue 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 continue 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

31 January, 2024

*The Busia County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

**13. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2023**

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	32,000,000	-
Fines, Penalties and Other Levies	3	-	-
		<b>32,000,000</b>	-
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	-	-
Other Income	5	-	-
		-	-
<b>Total Revenue</b>		<b>32,000,000</b>	-
<b>Expenses</b>			
Employee Costs	6	-	-
Use of goods and services	7	18,501,036	-
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
<b>Total Expenses</b>		<b>18,501,036</b>	-
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
<b>Surplus/(Deficit) for the Period</b>		<b>13,498,964</b>	-

The notes set out on pages 8 to 40 form an integral part of these Financial Statements

.....  
 Name: *KENNETH ODERO*  
 Administrator of the Fund

.....  
 Name: *Thomas Wiegubo*  
 Fund Accountant  
 ICPAK Member Number: 10082

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

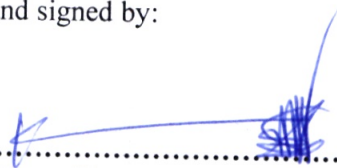
**14. Statement of Financial Position As at 30 June 2023**

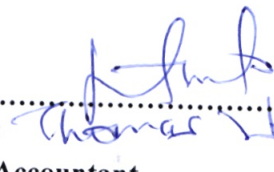
Description	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	12	16,572,618	-
Current Portion of Long- Term Receivables From Exchange Transactions	13	-	-
Prepayments	14	-	-
Inventories	15	-	-
Investments in financial assets	16	-	-
<b>Total current assets</b>		<b>16,572,618</b>	-
<b>Non-Current Assets</b>			
Property, Plant and Equipment	17	-	-
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions	13	-	-
Investment Property	19	-	-
<b>Total non- current assets</b>		-	-
<b>Total Assets</b>		<b>16,572,618</b>	-
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	20	-	-
Current Portion of Borrowings	21	-	-
Employee Benefit Obligations	22	-	-
Social benefit liabilities	23	-	-
<b>Total current liabilities</b>		-	-
<b>Non-Current Liabilities</b>			
Long Term Portion of Borrowings	21	-	-
Non-Current Employee Benefit Obligation	22	-	-
Social benefit liabilities	23	-	-
<b>Total Liabilities</b>		-	-

**The Busia County Health Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Net Assets</b>			
Revolving Fund		-	-
Reserves		-	-
Accumulated Surplus		16,572,618	-
<b>Total Net Assets and Liabilities</b>		<b>16,572,618</b>	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2023 and signed by:

  
 .....  
**Name: Kenneth Odera**  
**Administrator of the Fund**

  
 .....  
**Name: Thomas Wogutu**  
**Fund Accountant**  
**ICPAK Member Number: 10082**

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**15. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2023**

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	-	-	-	-
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2022</b>	-	-	-	-
<b>Balance As At 1 July 2022</b>	-	-	<b>3,073,654</b>	<b>3,073,654</b>
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	32,000,000	32,000,000
Transfers	-	-	(18,501,036)	(18,501,036)
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2023</b>	-	-	<b>16,572,618</b>	<b>16,572,618</b>

.....  
**Name: Kenneth Odera**  
**Administrator of the Fund**

.....  
**Name: James W. W. W.**  
**Fund Accountant**  
**ICPAK Member Number: 10082**

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**16. Statement of Cash Flows for The Year Ended 30 June 2023**

Description	Note	2022-2023	2021-2022
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		32,000,000	-
Interest received		-	-
Receipts from other operating activities		-	-
<b>Total receipts</b>		<b>32,000,000</b>	-
<b>Payments</b>			
Fund administration expenses		-	-
General expenses		18,501,036	-
Finance cost		-	-
Other payments		-	-
<b>Net cash flows from operating activities</b>	24	<b>13,498,964</b>	-
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>13,498,964</b>	-
Cash and cash equivalents at 1 July		3,073,654	-
<b>Cash and cash equivalents at 30 June</b>		<b>16,572,618</b>	-

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**17. Statement Of Comparison Of Budget And Actual Amounts For The Period**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Public Contributions and Donations	-	-	-	-	-	
Transfers From County Govt.	78,883,139	(13,931,356)	64,951,356	32,000,000	(32,951,783)	51%
Interest Income	-	-	-	-	-	
Other Income	-	-	-	-	-	
<b>Total Income</b>	<b>78,883,139</b>	<b>(13,931,356)</b>	<b>64,951,356</b>	<b>32,000,000</b>	<b>(32,951,783)</b>	<b>51%</b>
<b>Expenses</b>						
Fund Administration Expenses	-	-	-	-	-	
General Expenses	78,883,139	(13,931,356)	64,951,356	18,501,036	-	
Finance Cost	-	-	-	-	-	
<b>Total Expenditure</b>	<b>78,883,139</b>	<b>(13,931,356)</b>	<b>64,951,356</b>	<b>18,501,036</b>	<b>-</b>	
<b>Surplus For the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,498,964</b>	<b>-</b>	
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**18. Notes to the Financial Statements**

**1. General Information**

The Busia County Health Services Fund is established by and derives its authority and accountability from The Busia County Health Services Fund Act, 2015. The Fund is wholly owned by the Busia County Government and is domiciled in Kenya. The Funds principal activity is to provide funding for the day-to-day operations of hospitals and other health facilities.

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

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

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

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

Standard	Effective date and impact
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s</li> </ul>

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<p>cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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 accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were</li> </ul>

*The Busia County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<p>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><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

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

Standard	Effective date and impact:
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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>

***The Busia County Health Services Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</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>

**(iii) Early adoption of standards**

The Fund did not early – adopt any new or amended standards in the financial year.

**Significant Accounting Policies**

**a) Revenue recognition**

**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.

**b) Budget information**

The original budget for FY 2022-2023 was approved by the County Assembly on 15 March 2022/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded reduced appropriations of Ksh. 13,931,356 on the FY 2022/2023 budget following the governing body's 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 comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

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

**c) Property, plant and equipment**

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

**d) 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.

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

### **e) Financial instruments**

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

#### **Financial assets**

##### **Classification of financial assets**

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

##### **Subsequent measurement**

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

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

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

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

## **Significant Accounting Policies (Continued)**

### **Financial liabilities**

#### **Classification**

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

#### **f) Inventories**

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

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

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

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

#### **g) 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.

#### **h) Social Benefits**

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

*Summary of Significant Accounting Policies (Continued)*

**i) 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.

**j) 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.

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

**k) Related parties**

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

**l) Cash and cash equivalents**

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

**m) Comparative figures**

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

*Summary of Significant Accounting Policies (Continued)*

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

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

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

**a) Estimates and assumptions –**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

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

**6. Notes To The Financial Statements**

**1. Public contributions and donations**

Description	2022-2023	2021-2022
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
<b>Total</b>	-	-

**2. Transfers from County Government**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	32,000,000	
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
<b>Total</b>	<b>32,000,000</b>	-

Funds received from the County treasury for facility improvement fund

**3. Fines, penalties and other levies**

Description	2022-2023	2021-2022
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
<b>Total</b>	-	-

**4. Interest income**

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income from Mortgage Loans	-	-
Interest Income From Car Loans	-	-
Interest Income From Investments in financial assets	-	-
Interest Income On Bank Deposits	-	-
<b>Total Interest Income</b>	-	-

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

**5. Other income**

Description	2022-2023	2021-2022
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
<b>Total Other Income</b>	-	-

**6. Employee Costs**

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other ( <i>Specify</i> )	-	-
<b>Total</b>	-	-

**7. Use of Goods and Services**

Description	2022-2023	2021-2022
	Kshs	Kshs
Electricity And Water Expenses	942,000	-
Fuel And Oil Costs	2,971,156	-
Administration Fees	690,000	-
Fuel Levy	52,126	-
Operations and Maintenance - Dispensaries	2,383,380	-
Operations and Maintenance – Health Centres	3,744,984	-
Operations and Maintenance - Hospitals	7,717,391	-
Insurance Costs	-	-
Provision For Doubtful Debts	-	-
Social benefit expenses*	-	-
<b>Total</b>	<b>18,501,036</b>	-

**8. Depreciation and Amortization Expense**

Description	2022-2023	2021-2022
	Kshs	Kshs
Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	-	-

**9. Finance costs**

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
<b>Total</b>	-	-

**10. Gain/(loss) on disposal of assets**

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	-	-

**11. Gain/ (loss) on Fair Value Investments**

Description	2022-2023	2021-2022
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
<b>Total Gain</b>	-	-

**12. Cash and cash equivalents**

Description	2022-2023	2021-2022
	Kshs	Kshs
Car Loan Account	-	-

*The Busia County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account - CBK	<b>16,572,618</b>	
Others ( <i>Specify</i> )	-	-
<b>Total Cash And Cash Equivalentents</b>	<b>16,572,618</b>	-

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
<b>a) Fixed Deposits Account</b>		-	-
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
<b>Sub- Total</b>		-	-
<b>b) On - Call Deposits</b>		-	-
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
<b>Sub- Total</b>		-	-
<b>c) Current Account</b>		-	-
Kenya Commercial Bank		-	-
Central Bank of Kenya		<b>16,572,618</b>	-
<b>Sub- Total</b>		<b>16,572,618</b>	-
<b>d) Others (Specify)</b>		-	-
Cash In Transit		-	-
Cash In Hand		-	-
<b>Sub- Total</b>		-	-
<b>Grand Total</b>		<b>16,572,618</b>	-

**13. Receivables from exchange transactions**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Current Receivables</b>	-	-
Interest Receivable	-	-
Current Loan Repayments Due	-	-
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
<b>Total Current Receivables</b>		
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	-	-
<b>Total Non- Current Receivables</b>	-	-
<b>Total Receivables From Exchange Transactions</b>	-	-

*The Busia County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

**Additional disclosure on interest receivable**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Interest Receivable</b>	-	-
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
<b>Current loan repayments due</b>	-	-
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

**14. Prepayments**

Description	2022-2023	2021-2022
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments ( <i>Specify</i> )	-	-
<b>Total</b>	-	-

**15. Inventories**

Description	2022-2023	2021-2022
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories ( <i>Specify</i> )	-	-
<b>Total Inventories at The Lower of Cost and Net Realizable Value</b>	-	-

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

**16. Investments in financial assets**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>a. Investment in Treasury bills and bonds</b>		
Financial institution	-	-
CBK	-	-
CBK	-	-
<b>Sub- total</b>		
<b>b. Investment with Financial Institutions/ Banks</b>		
Bank x	-	-
Bank y	-	-
<b>Sub- total</b>		
<b>c. Equity investments (specify)</b>		
Equity/ shares in Entity	-	-
<b>Sub- total</b>		
<b>Grand total</b>		

**Movement of Equity Investments**

Impairment allowance/ provision	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-
<b>At the end of the year</b>		

**e) Shareholding in other entities**

Name of Entity where investment held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Kshs	Current year Kshs	Prior year Kshs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

**17. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
<b>At 1<sup>st</sup> July 2021</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2022</b>					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2023</b>	-	-	-	-	-
<b>Depreciation And Impairment</b>					
At 1 <sup>st</sup> July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2022</b>					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2023</b>	-	-	-	-	-
<b>Net Book Values</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2023</b>	-	-	-	-	-

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

**18. Intangible assets**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Cost</b>	-	-
<b>At Beginning of The Year</b>	-	-
Additions	-	-
<b>At End of The Year</b>	-	-
<b>Amortization And Impairment</b>	-	-
<b>At Beginning of The Year</b>	-	-
Amortization	-	-
<b>At End of The Year</b>	-	-
Impairment Loss	-	-
<b>At End of The Year</b>	-	-
<b>NBV</b>	-	-

**19. Investment Property**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>At beginning of the year</b>	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
<b>At end of the year</b>	-	-

**The Busia County Health Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

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

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Trade Payables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	-		-	
Other Payables	-		-	
<b>Total Trade and Other Payables</b>	-		-	
<b>Ageing analysis (Trade and other payables)</b>	<b>2022-2023</b>	<b>% of the Total</b>	<b>2021-2022</b>	<b>% of the Total</b>
Under one year	-	%		%
1-2 years	-	%		%
2-3 years	-	%		%
Over 3 years	-	%		%
<b>Total (tie to above total)</b>	-			

**21. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning Of The Year	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
<b>Balance At The End of The Year</b>	-	-	-	-

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

**22. Borrowings**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
<b>Balance At End of The Period</b>	-	-

The table below shows the classification of borrowings into external and domestic borrowings:

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>External Borrowings</b>	-	-
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
<b>Total Balance at End of The Year</b>	-	-

The table below shows the classification of borrowings long-term and current borrowings:

Description	2022-2023	2021-2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
<b>Total</b>	-	-

*The Busia County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

**23. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Insert Current FY	Insert Comparative FY
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**24. Social Benefit Liabilities**

Description	2022-2023	2021-2022
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
<b>Total</b>	-	-
	-	-
Current social benefits	-	-
Non-current social benefits	-	-
<b>Total (tie to totals above)</b>	-	-

*The Busia County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**Notes To The Financial Statements (Continued)**

**25. Cash generated from operations**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>		
<b>Adjusted For:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
<b>Working Capital Adjustments</b>		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
<b>Net Cash Flow From Operating Activities</b>	-	-

**The Busia County Health Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

**26. Related party balances**

**a) Nature of related party relationships**

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;

**b) Related party transactions**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

**c) Key management remuneration**

Description	2022-2023	2021-2022
	Kshs	Kshs
Board Members	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

Description	2022-2023	2021-2022
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
<b>Total</b>	-	-

**e) Due to related parties**

Description	2022-2023	2021-2022
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
<b>Total</b>	-	-

**Notes To The Financial Statements (Continued)**

**27. 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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2023</b>				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>				
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	-	-	-	-

**The Busia County Health Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

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

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

**b) Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**Notes To The Financial Statements (Continued)**

**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 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.

**i. 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:

Description		Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables	-	-	-
<b>Liabilities</b>			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	-	-	-

**Notes To The Financial Statements (Continued)**

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
<b>30 June 2023</b>			
Euro	10%	-	-
USD	10%	-	-
<b>30 June 2022</b>			
Euro	10%	-	-
USD	10%	-	-

**ii. Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

***Management of interest rate risk***

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

***Sensitivity analysis***

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase / decrease by one percentage point as a decrease / increase of Kshs 0 (2022: Kshs.0 ). A rate increase / decrease of 5% would result in a decrease/increase in profit before tax of Kshs 0(2021 – Kshs 0).

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**Notes To The Financial Statements (Continued)**

**d) 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:

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	0%	-

**28. Events after the reporting period**

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

**29. Ultimate and Holding Entity**

The entity is a County Public Fund established by the Busia County Health Services Fund Act, 2015 under the Department of Health. Its ultimate parent is the County Government of Busia.

**30. Currency**

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

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**19. Annexes**

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
No Prior year audit findings				

  
Fund Administrator

Date... 19/12/2023 .....

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Annex II: Inter-Fund Confirmation Letter  
*Busia County Health Services Fund*

The Busia County Health Services Fund wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by the Busia County Health Services Fund as at 30 <sup>th</sup> June 2023							
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	Amount Received by BHSF (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
DD01042022	02/02/2023	19,500,000	-	-	19,500,000	19,500,000	-
DD17052023	18/05/2023	12,500,000	-	-	12,500,000	12,500,000	-
<b>Total</b>							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:  
Name ..... Sign ..... Date .....

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**Annex III: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implement. Partners
				Q1	Q2	Q3	Q4		
				-	-	-	-		
				-	-	-	-		
				-	-	-	-		
				-	-	-	-		
				-	-	-	-		

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**Annex IV: Reporting on Disaster Management Expenditure**

Column I Programme	Column II Sub-programme	Column III Disaster Type	Column IV Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Column V Expenditure item	Column VI Amount (Kshs.)	Column VII Comments