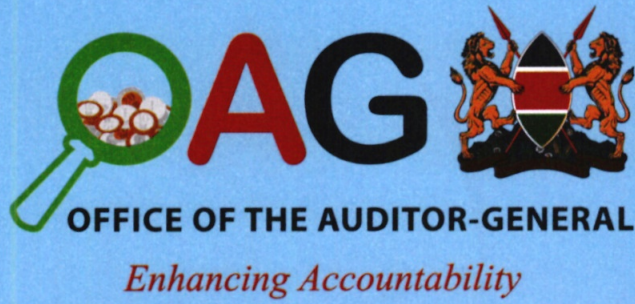


REPUBLIC OF KENYA



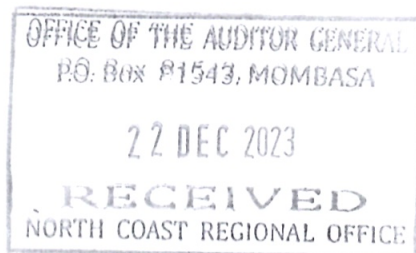
**REPORT
OF
THE AUDITOR-GENERAL
ON**

PARLIAMENT
OF KENYA
LIBRARY

**THE KILIFI COUNTY HEALTH SERVICES
IMPROVEMENT FUND**

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

PAPERS LAID	
DATE	29/02/2024
TABLED BY	MAJORITY LEADER
COMMITTEE	FINANCE & BUDGET
CLERK AT THE TABLE	POLYCARP



COUNTY GOVERNMENT OF KILIFI

THE KILIFI COUNTY HEALTH SERVICES IMPROVEMENT

FUND

ANNUAL REPORTS AND FINANCIAL STATEMENTS

GOVERNMENT

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

FINANCIAL STATEMENTS

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023**

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**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023**

1. ACRONYMS AND GLOSSARY OF TERMS

a) Acronyms

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

2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

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

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

b) Principal Activities

The principal activity of the Fund is to;

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

c) Board of Trustees/Fund Administration Committee

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

**The Kilifi County Health Services Improvement Fund
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For the year ended June 30, 2023**

6	Dr. Hassan Leli	Member
7	Racheal Bahati	Fund Administrator

d) Key Management

1	Racheal Bahati	Fund Administrator
2	Fred Nzai	Fund Accountant

e) Fiduciary Oversight Arrangements

1	Director Internal Audit	Keziah Wangui
---	-------------------------	---------------

f) Registered Offices

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

g) Fund Contacts

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

h) Fund Bankers

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

2. Kenya Commercial Bank
Kilifi Branch

i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

k) County Attorney

The County Attorney


Kilifi Plaza


Hospital Road


P.O. Box 519-80108


Kilifi, Kenya


3. THE BOARD MEMBERS

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

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

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

Name	Details of qualifications and experience
	<p>She is one of the founders of Kesho Kenya, a non-governmental organisation that empowers youngsters through education, entrepreneurship training and safeguarding in Kenya's coastal region. As a board member Zena Sallim represents the women. Zena Salim has Certificate in Child Counselling, Kenya Association of Professional Counsellors and a Diploma in Art and Craft, Nairobi.</p>
	<p>Joyce Peshu Date of birth 7 June 1988 Member</p> <p>Ms. Joyce Peshu was appointed as HSIF Board Member on 9 March 2018. Ms. Peshu is currently working Kenya Wildlife Conservancies Association as a Gender Officer. Her work focuses on inclusion of women, youth and men in the governance and management of conservancies. She has previously worked with VSO for the last 5 years both in country and Globally, she also has experience in supporting community-based organization towards actualizing their vision. As a board</p>

Name	Details of qualifications and experience
<p>Services Improvement Fund Statements</p>	<p>member Ms. Peshu represents the youth.</p> <p>She is currently pursuing a Master's in Project Planning and Management in University of Nairobi and Holds a Bachelor of Science in Microbiology from Moi University.</p>
	<p>Dr. David Mulewa Date of birth 24 April 1973 Chief officer Medical Services</p> <p>Dr David Mulewa was appointed as HSIF Board Member on September 2019. Dr. David Mulewa was the County Director of Health in the Department and is currently the Chief Officer Medical Services and Sanitation. He worked in Lamu County since 2013 as Director of Health and later transferred to Kilifi on September 2019. Dr. Mulewa has 16 years' professional experience in Ministry of Health. He holds MD Physician from Vinnitsa State Medical University Ukraine and a Master's Degree in Health System Management and Application from Kenyatta University.</p>

Name	Details of qualifications and experience
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Dr. Hassan Leli
Date of birth 31st October 1987
Ag. County Director Health and Sanitation Services.

Dr Hassan Leli was appointed as a HSIF Board Member on September 2022. Dr. Hassan Leli is the Acting County Director of Health in the Department. Dr. Leli has 10 years professional experience in the County Department of Health. He holds a Doctor of Pharmacy degree from Gomal University Pakistan and a Master’s Degree in Public Health from Pwani University.





CPA Racheal Bahati
Date of birth 31 May 1984
Fund Administrator

CPA Racheal Bahati was appointed as the Fund Administrator on 13 February 2019. Racheal is a Senior Accountant at County Government of Kilifi. She has over ten years’ professional experience as an Accountant. She holds Bachelor of Commerce (Accounting) from The University of Nairobi and also a Certified Public Accountant (CPA).

**The Kilifi County Health Services Improvement Fund
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For the year ended June 30, 2023**

Name	Details of qualifications and experience
	Racheal has MBA (Finance) from The University of Nairobi.

4. MANAGEMENT TEAM

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

CPA Racheal Bahati
 Fund Administrator

5. BOARD CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the board Members, the HSIF financial statements for the year ended 30 June 2023. The financial statements present the financial performance of the Fund over the past year.

Sustainability.

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

The establishment of an EMR system procured by the department of health is awaiting installation. Currently hospitals are still using their own EMR systems to ensure improvement in collections as well as ensuring accountability in terms of payments for services rendered. This will in turn have a ripple effect on sustainability of the Fund, since it is entirely dependent on payments for services rendered to clients both cash and risk pooling through Insurances.

Currently, the Fund has established hospital collections through MPESA Pay bill numbers and has gone cashless. The collection system has greatly improved revenue and assured the Fund of its long-term sustainability. Once the EMR system is fully launched and synchronized with these collection methods, revenue collection shall not only improve, but also will be more reliable and safer since no service shall be rendered if not captured in the system and once a service is captured it means payment is registered.

Board and Management Changes

The County Department of Health Services is highly committed to establishing and maintaining effective management structures. This dedication is driven by the goal of promoting sound management practices that will ensure the sustainability of the hospitals. Among the key components of the Leadership and Governance framework is the County Health Sector

BOARD CHAIRPERSON'S REPORT (CONTINUED)

Improvement Fund Board. The individuals serving on this board are officially appointed and serve renewable three-year terms.

During the specified period, there were changes in the composition of the board. Notably, Dr. Gome Lenga assumed the role of chairperson, succeeding Hon. Peter Mwarogo, who currently holds the position of CECM for Health Services and Sanitation. Additionally, Dr. David Mulewa, the Chief Officer for Health Services and Sanitation, took over from Alio Ibrahim, the former Chief Officer. Lastly, Dr. Hassan Leli, acting as the County Director of Health Services and Sanitation, assumed the responsibilities previously held by Dr. David Mulewa.

Review of performance

Income

The total fund in the FY 2022/2023 was Kshs. 419,539,632, Kshs. 393,607,454 was revenue collected from hospitals in the period and Kshs. 25,932,178 received from county treasury.

Expenditures

The total expenditures during the period amounted to Kshs. 418,354,905 out of which the administration expenses amounted to Kshs. 369,280 general expenses Kshs. 24,903,881 and transfer to the sub county hospitals 393,211,209 representing 0% , 6% and 94% of total expenditures respectively.

Future outlook

The outlook for the Fund in the upcoming fiscal year 2023/2024 appears optimistic. The Fund's primary objective is to enhance the delivery of healthcare services within hospitals while also allocating financial resources for the procurement of medical supplies and the small-scale equipping of County Health Services facilities to ensure basic operational capability and maintenance. Implementing accreditation systems and quality control measures can help in maintaining and improving the quality of healthcare services

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

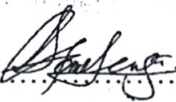
BOARD CHAIRPERSON'S REPORT (CONTINUED)

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

Conclusion

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

I look forward to your continued support in the future.

Name.....Dr. Gome Lenga.....Signature..........Date.....29/12/23.....

Chairperson of the Fund

Signature.....

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

It is my pleasure to present the Health Service Improvement Fund financial statements for the year ended 30 June 2023. The financial statements present the financial performance of the Fund for the financial year 2022/2023.

The Fund was established on 19 September 2016. However, operationalization of the Fund commenced on 31 January 2020 after approval of the budget by the HSIF board. The approved budget for the Fund in FY 2022/2023 was Kshs. 487,026,687 . During the financial year the Fund received revenue of Kshs 419,539,632 by the end of the financial year June 2023.

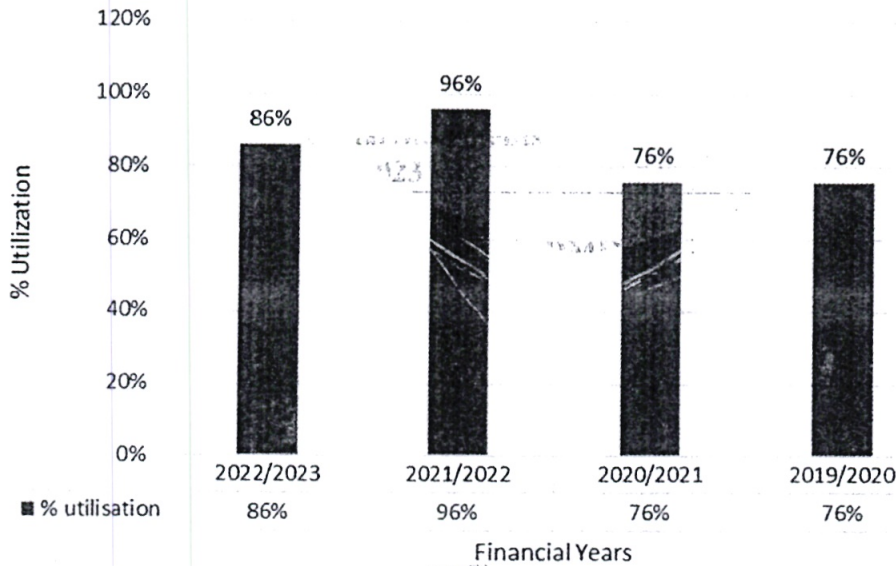
BUDGET ALLOCATION

In the year ended 30 June 2022, the Fund had projected revenues of Kshs 487,026,687 of which Kshs 419,539,632 was realised by Hospital collection revenue. This represented 86% revenue realization during the financial year.

Financial Year	Final budget	Actual on comparable basis	Performance difference	% utilisation
2022/2023	487,026,687	419,539,632	67,487,055	86%
2021/2022	418,426,159	402,699,307	15,726,852	96%
2020/2021	197,346,442	150,000,000	47,346,442	76%
2019/2020	132,000,000	100,910,677	31,089,323	76%

REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)

BUDGET PERFORMANCE AGAINST ACTUAL AMOUNTS FOR CURRENT YEAR



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

Key Performance Highlights

Below is an overview of the financial performance for the year ended 30th June 2023 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements.

Financial Performance Summary

Current Year Performance against Prior Year

Total revenue	419,539,632	402,699,307	16,840,325	4%
Total expenses	418,354,905	397,089,708	21,394,663	5%

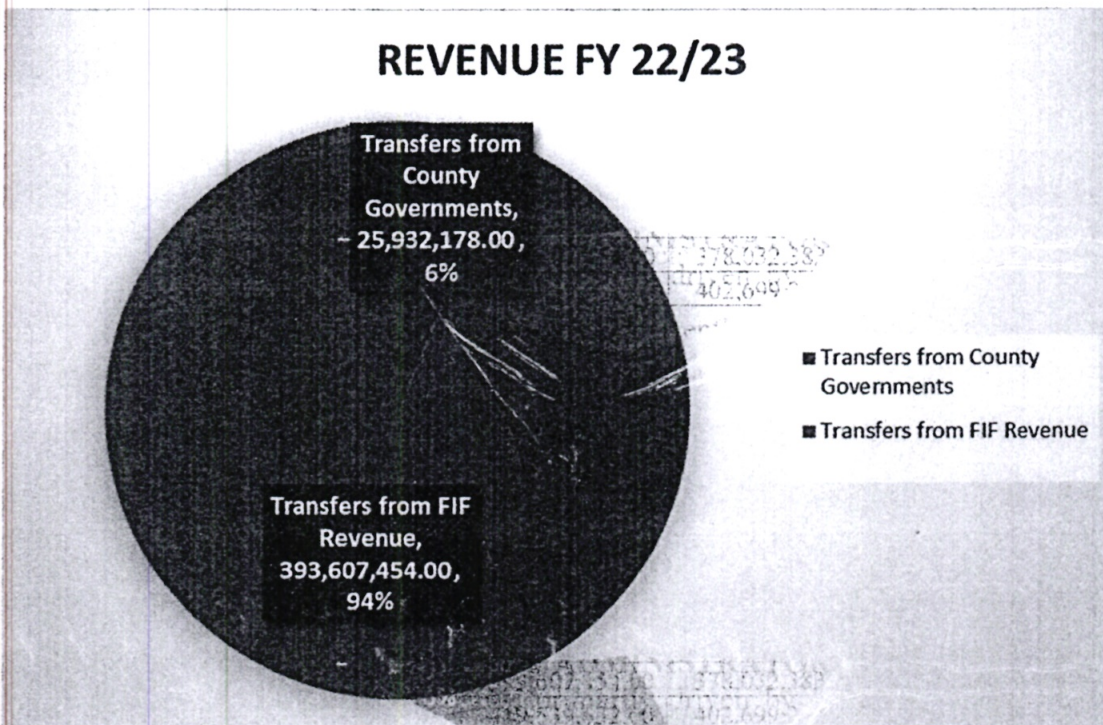
REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)

There was a 4% rise in total receipts, primarily driven by increased funding from transfers originating from FIF revenue collections. Concurrently, a 5% increase in payments can be attributed to the increased funding and the carryover of cash balances from the prior year.

Revenue

Revenue				
Revenue from non-exchange transactions				
Transfers from County Governments	25,932,178.00	24,666,924.00	1,265,254.00	5%
Transfers from FIF Revenue	393,607,454.00	378,032,383.00	15,575,071.00	4%
Total revenue	419,539,632.00	402,699,307.00	16,840,325.00	4%

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



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

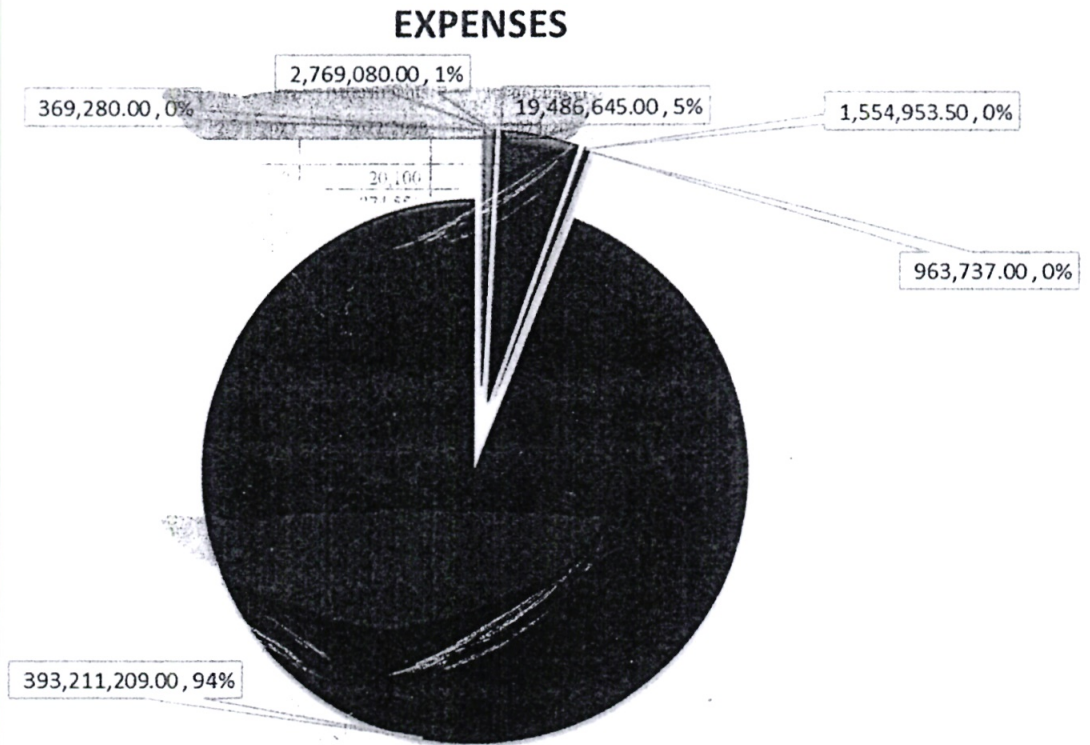
Budget Utilisation

The Fund spent Kshs. 418,354,905 against an approved budget of KShs. 487,026,687 representing absorption of 86%. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)

A Tabular representation of expenditure shown below

Expenses						
Employee costs	364,800	20,100	384,900	369,280	15,620	96%
Board of Management Expenses	2,100,000	874,556	2,974,556	2,769,080	205,476	93%
Use of Goods and Services	15,824,323	7,172,498	22,996,821	19,486,645	3,510,176	85%
Depreciation And Amortization Expense	2,560,000	80,000.00	2,640,000.00	1,554,954	1,085,047	59%
Repair and Maintenance	1,310,000	(115,100)	1,194,900	963,737	231,163	81%
Transfers to other government entities	-	456,835,509	456,835,509	393,211,209	63,624,300	86%
Total expenditure	22,159,123.00	464,867,563	487,026,686	418,354,905	68,671,781	86%
Surplus for the period		0	0	1,184,728	(1,184,727)	



- Expenses
- Employee costs
- Board of Management Expenses
- Use of Goods and Services
- Depreciation And Amortization Expense
- Repair and Maintenance
- Transfers to other government entities

REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)

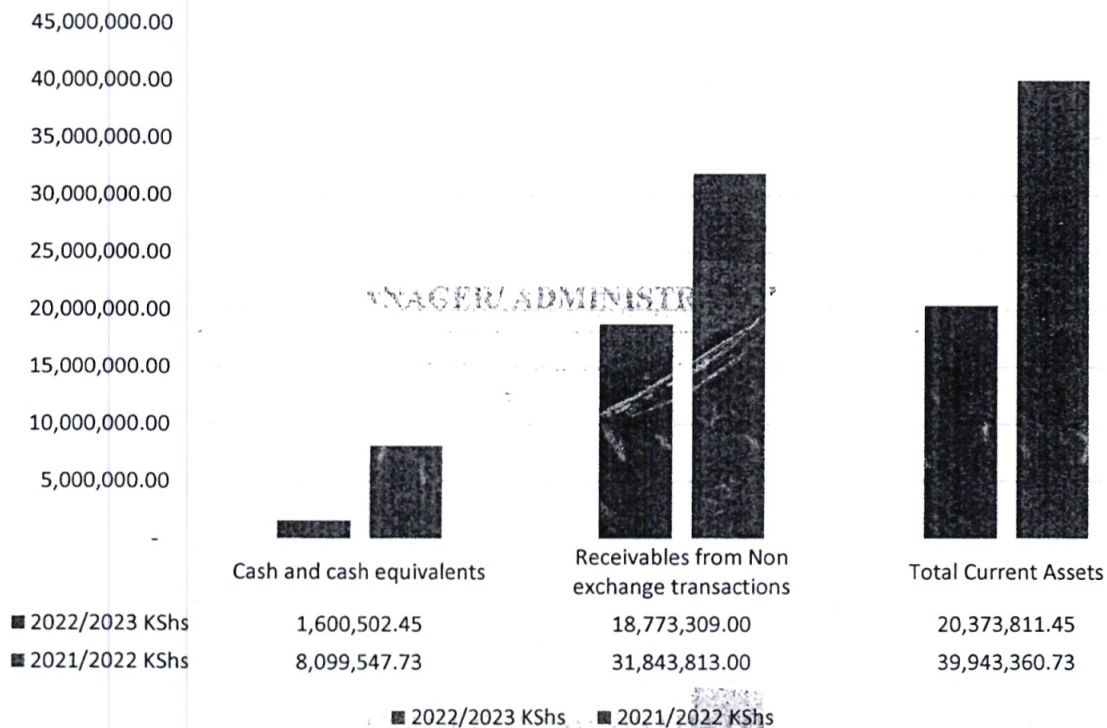
Financial Assets Summary

Assets			
Current assets			
Cash and cash equivalents	9	1,600,502	8,099,548
Receivables from Non exchange transactions	10	18,773,309	31,843,813
Total Current Assets		20,373,811	39,943,361

The bank balances experienced a 406% reduction, which was primarily attributed to the separation of fund administration and health facilities reporting. Accounts receivables, on the other hand, decreased by 70% primarily due to the receipt of transfers from FIF revenue, mainly occurring after the end of the fiscal year.

REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)

CURRENT ASSETS



REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)

Value for Money Achievements

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

- **Enhanced Healthcare Access:** The fund has facilitated increased access to healthcare services for a larger portion of the population. This is achieved by improving and expanding healthcare infrastructure, including the construction of new health facilities and the refurbishment of existing ones. As a result, more people can receive essential medical care closer to their communities.
- **Efficient Resource Allocation:** The fund has focused on optimizing the allocation of resources within the healthcare system. This includes efficient procurement practices, which have lowered the cost of medical supplies and equipment, ensuring that available funds are used effectively to benefit patients.
- **Financial Sustainability:** By implementing revenue enhancement strategies such as digitalization of hospital systems, the fund has helped health facilities become more financially sustainable. This enables them to generate revenue internally, reducing reliance on external funding sources.
- **Capacity Building:** The fund has invested in the training and development of healthcare professionals, leading to a more skilled and competent workforce. This not only improves the quality of care but also reduces the need to hire expensive external consultants or personnel.
- **Transparency and Accountability:** The fund has demonstrated a commitment to transparency and accountability in its operations. This ensures that funds are used efficiently and that there is a clear and open reporting mechanism for stakeholders to monitor progress and outcomes.

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

REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)

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

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

Entity's Future Outlook:

The budget allocation for the upcoming fiscal year amounts to Kshs. **487,026,687**, with a designated portion allocated to Health facilities. Our objective is to allocate 30% of this allocation towards renovating and maintaining buildings within the health facilities, aiming to enhance and uplift the overall structural condition of these healthcare facilities.

- **Sustainability:** Ensuring the long-term sustainability of the Health Service Improvement Fund will be a key focus. This involves exploring diverse funding sources and developing revenue-generating strategies within the healthcare system.
- **Technology Integration:** Continued investment in technology and data-driven healthcare solutions will be critical for improving patient care, streamlining operations, and enhancing efficiency.
- **Public-Private Partnerships:** Exploring collaborations with the private sector and non-governmental organizations can expand the fund's capacity to deliver healthcare services and improve overall outcomes

REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)

The budget allocation for the upcoming fiscal year amounts to Kshs. **487,026,687** , with a designated portion allocated to Health facilities. Our objective is to allocate 30% of this allocation towards renovating and maintaining buildings within the health facilities, aiming to enhance and uplift the overall structural condition of these healthcare facilities.

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

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

Conclusion

The fiscal year 2022/2023 can be characterized as generally positive. Substantial progress was achieved, and this progress has set the stage for the Health Service Improvement Fund to maintain a path toward prosperity. We have identified specific areas for improvement, with a particular

REPORT OF THE FUND MANAGER/ ADMINISTRATOR (CONTINUED)

emphasis on the digitization of all hospitals through the acquisition and phased installation of an Electronic Medical Records (EMR) system. This initiative is expected to enhance hospital revenue collection and elevate the quality-of-service delivery in the upcoming years.

Services Improvement Fund
Statements

7. STATEMENT OF PERFORMANCE AGAINST KILIFI HEALTH SERVICES IMPROVEMENT FUND PREDETERMINED OBJECTIVES

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Health Service Improvement Fund 2018-2023 plan are to:

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

**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023**

Progress on attainment of Strategic development objectives.

Below we provide the progress on attaining the stated objectives:

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

8. CORPORATE GOVERNANCE STATEMENT

THE BOARD

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

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

THE BOARD MEMBERS

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

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

During this fiscal year, there were changes in the composition of the board, with certain members being replaced due to contract expirations and staff promotions.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARDS SUCCESSION PLAN

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

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

PROCESS OF APPOINTMENT AND REMOVAL OF TRUSTEES

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

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD MEETINGS

The board members convene on a quarterly basis or as necessary to oversee the Fund's strategic plan's execution and ensure the accomplishment of performance contract objectives. Furthermore, the board members assume an oversight role concerning all additional financial and operational matters. The board held five (5) full board during the FY 2022/2023 with all members participating.

FUNCTIONS OF THE FUND BOARD

The Fund Board shall: -

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

RESPONSIBILITIES OF THE FUND BOARD

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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

INDUCTION AND TRAINING

HSIF is yet to conduct an induction and training program for the recently appointed board members in the current fiscal year. This decision stems from the fact that these board members were appointed subsequent to the approval of the budget, and therefore, their inclusion in the budget allocation was not accounted for.

The primary aim of this training is to equip the participants with a deeper understanding of the healthcare sector's background and the laws, rules, and regulations governing these services. This knowledge is intended to contribute to improved accessibility, accountability, and the effective utilization of resources.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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

BOARD AND MEMBER PERFORMANCE

Internal Control

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

Organization Structure

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

Internal Control Framework

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Management Team

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

CONFLICT OF INTEREST

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

BOARD REMUNERATION

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

ETHICS, CONDUCT AND GOVERNANCE AUDIT

The Fund is audited by the Auditor-General.

9. MANAGEMENT DISCUSSION AND ANALYSIS

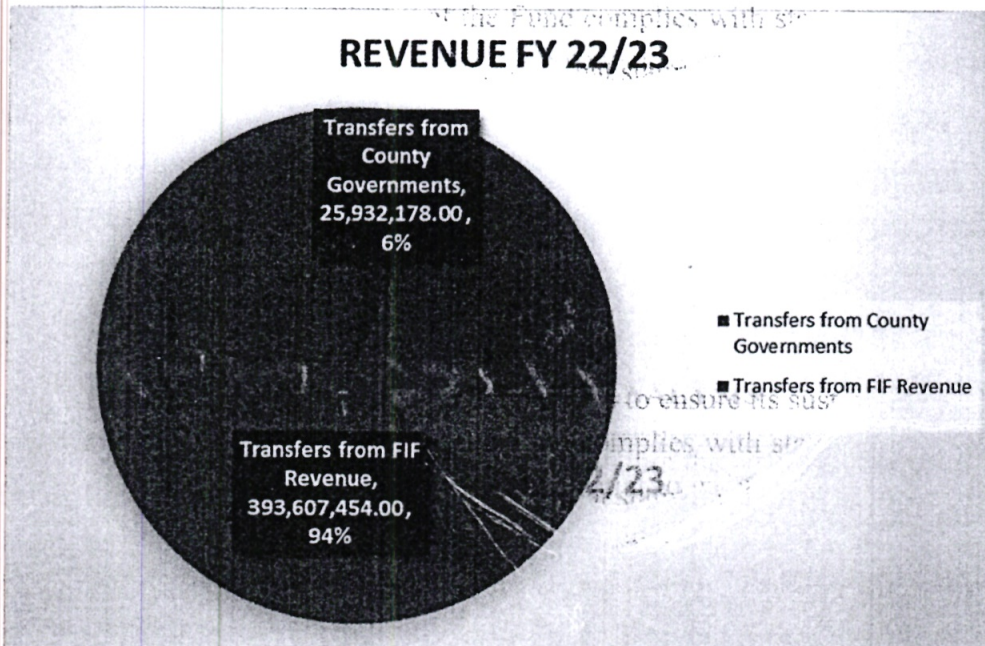
The Fund is in its inception stages with potential to grow over the years. The management and board are putting measures in place to safeguard funds against risks. The Fund's operations expose it to a variety of financial risks including revenue target shortfalls and unexpected pandemics.

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

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

Revenue

The Fund earned revenues amounting to Ksh. 419,539,632 from the Hospitals collection. The board and management of the Fund are looking to its funding from the Hospitals revenue collection while also engaging other development partners to ensure its sustainability and success.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Major risks facing the Fund

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

Conclusion

We express our gratitude for the continuous support received from the board members, management, staff, the County Government, development partners, and all essential stakeholders. We anticipate ongoing collaboration and cooperation in areas of shared interest throughout the fiscal year 2023/2024.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORT

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

Sustainability strategy and profile

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

Environmental performance

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

Market place practices

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

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

11. REPORT OF THE BOARD CHAIRMAN

The Board submit their report together with the 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;

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

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1 to 26

Fund Board

The Board members of the Fund who served during the year are shown on page vii to xiii there were changes in the Board during the FY 2022/2023.

Auditors

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

By Order of the Board


.....

Dr. Gome Lenga

Chair of the Board

Date: 21/12/23

12. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The Fund Administrator of the Kilifi County Health Service Improvement Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023.

This responsibility includes:

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

The Fund Administrator of the Kilifi County Health Service Improvement Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Kilifi County Health Service Improvement Fund Act 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES (CONTINUED)

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

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 21/12/ 2023 and signed on its behalf by:



**CPA Racheal Bahati
HSIF Administrator**

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON THE KILIFI COUNTY HEALTH SERVICES IMPROVEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of The Kilifi County Health Services Improvement Fund set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2023, the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kilifi County Health Services Improvement 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 and comply with the) and comply with the Public Finance Management Act, 2012 and the Kilifi County Health Services Improvement Fund Act, 2016.

Basis for Opinion

Inaccuracies in Hospitality Supplies and Services Expenditure

The statement of financial performance reflects expenditure of Kshs.19,486,645 in respect of use of goods and services. As disclosed in Note 4 to the financial statements, the amount includes Kshs.2,445,606 incurred on hospitality supplies and services. However, the supporting ledger for the expenditure reflects Kshs.5,214,686 resulting in a variance of Kshs.2,769,080 which was not explained or reconciled.

In the circumstances, the accuracy and completeness of expenditure on hospitality supplies and services expenses could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.487,026,686 and Kshs.419,539,632, respectively, resulting in an under-funding of Kshs.67,487,054 or 14% of the budget. Similarly, the Fund spent Kshs.418,354,905 against an approved budget of Kshs.487,026,686, resulting in an under-expenditure of Kshs.68,671,781 or 14% of the budget.

The under expenditure may have negatively affected service delivery to the intended beneficiaries.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

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.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to

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

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

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

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

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

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 February, 2024

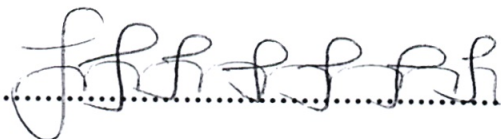
**The Kilifi County Health Services Improvement Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023**

**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
2023**

Revenue from non-exchange transactions			
Transfers from County Governments	1	25,932,178	24,666,924
Transfers from FIF Revenue	2	393,607,454	378,032,383
Total revenue		419,539,632	402,699,307
Expenses			
Employee costs	3	369,280	280,000
Board of Management Expenses	5	2,769,080	2,667,872
Depreciation And Amortization Expense	6	1,554,954	957,419
Use of Goods and Services	4	19,486,645	22,814,791
Repair and Maintenance	7	963,737	1,210,758
Transfers to other government entities	8	393,211,209	369,158,868
Total expenses		418,354,905	397,089,708
Surplus/(deficit) for the period		1,184,728	5,609,600

The notes set out on pages 6 to-25 form an integral-part of these Financial Statements.





Administrator of the Fund

Fund Accountant

Name: Racheal Bahati

Name: Fred Nzai

ICPAK Member Number:21112

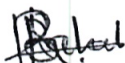
ICPAK Member Number: 30376

The Kilifi County Health Services Improvement Fund
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For the year ended June 30, 2023

15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

Assets			
Current assets			
Cash and cash equivalents	9	1,600,502	371,566
Receivables from Non exchange transactions	10	18,773,309	3,238,110
Total Current Assets		20,373,811	3,609,676
Non-current assets			
Property, plant, and equipment	11	3,263,893	2,233,977
Total Non-current Assets			
Total assets		23,637,704	5,843,653
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	12	16,837,824	228,500
Total liabilities		16,837,824	228,500
Net assets			
Accumulated surplus		6,799,880	5,615,153
Total net assets and liabilities		23,637,704	5,843,653

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 21/12/ 2023 and signed by:



.....
Administrator of the Fund

Name: Racheal Bahati

ICPAK Member Number:21112



.....
Fund Accountant

Name: Fred Nzai

ICPAK Member Number: 30376

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

Balance as at 1 July 2021	5,553	5,553
Surplus/(deficit) for the period	5,609,600	5,609,600
Balance as at 30 June 2022	5,615,153	5,615,153
Balance as at 1 July 2022	5,615,153	5,615,153
Surplus/(deficit) for the period	1,184,728	1,184,728
Balance as at 30 June 2023	6,799,880	6,799,880

The Kilifi County Health Services Improvement Fund
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For the year ended June 30, 2023

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

Cash flows from operating activities			
Receipts			
Transfers from County Governments	1	25,932,178	24,666,924
Transfers from FIF Revenue	2	378,072,255	374,794,273
Total Receipts		404,004,433	399,461,197
Payments			
Employee costs	3	369,280	280,000
Board of Management Expenses	5	2,769,080	2,667,872
Use of Goods and Services	4	19,486,645	22,814,791
Repair and Maintenance	7	963,737	1,210,758
Transfers to other government entities	8	376,601,885	368,926,349
Total Payments		400,190,627	395,899,770
Net cash flows from operating activities		3,813,806	3,561,427
Cashflow from investing activities			
purchase of fixed assests		(2,584,870)	(3,191,395)
Net cashflow from investing activities		(2,584,870)	(3,191,395)
Net increase/(decrease) in cash and cash equivalents		1,228,936	370,032
Cash and cash equivalents at 1 JULY 2022		371,566	1,534
Cash and cash equivalents at 30 JUNE 2023	9	1,600,502	371,566

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2023.

	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfers from County Govt & FIF Revenue	22,159,123	464,867,563	487,026,686	419,539,632	67,487,054	86%
Total income	22,159,123	464,867,563	487,026,686	419,539,632	67,487,054	86%
Expenses						
Employee costs	364,800	20,100	384,900	369,280	15,620	96%
Board of Management Expenses	2,100,000	874,556	2,974,556	2,769,080	205,476	93%
Use of Goods and Services	15,824,323	7,172,498	22,996,821	19,486,645	3,510,176	85%
Depreciation And Amortization Expense	2,560,000	80,000.00	2,640,000.00	1,554,954	1,085,047	59%
Repair and Maintenance	1,310,000	(115,100)	1,194,900	963,737	231,163	81%
Transfers to other government entities	-	456,835,509	456,835,509	393,211,209	63,624,300	86%
Total expenditure	22,159,123.00	464,867,563	487,026,686	418,354,905	68,671,781	86%
Surplus for the period			0	1,184,728	(1,184,727)	

Budget notes

- a. In accordance with IPSAS 24.29, the changes in the budget amounting to Ksh.464,867,563 was attributed to reallocations and the addition of transfers to other entities as an expenditure item.
- b. The actual revenue fell short of the budgeted revenue by Kshs. 67,487,054. This represents a variance of approximately 13.86% below the budgeted amount. This was attributed to lower-than-expected reimbursements from NHIF: In cases where the hospital relied heavily on reimbursements from the National Health Insurance Fund (NHIF) for funding. Also underperformance in revenue collections from sources like Public Health

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

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

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED		
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1 January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops 	<p>There was no impact of the amendment to IPSAS 41 with respect to the current financial report.</p>

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	a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.	
IPSAS 42: Social Benefits	<p>Applicable: 1 January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>	There was no impact of the amendment to IPSAS 42 with respect to the current financial report
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1 January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p>	There was no impact of the amendment to IPSAS 41 with respect to the current financial report

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

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IPSAS 43	<p><i>Applicable 1 January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>	<p>There was no impact of the amendment to IPSAS 43 with respect to the current financial report</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1 January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(ii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2023.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from non-exchange transactions

Interest income

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

c. Budget information

The original budget for FY 2022-2023 was approved by the County Fund Board on **22nd September 2023**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Kshs. **478,717,015** on the FY 2022-2023 budget following the Fund board approval.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.**

d. 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.

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 Kilifi health services improvement fund 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

exchange gains and losses which

Trade and other receivables

in assets is included

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.

Financial liabilities

Classification

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

f. 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.

g. Related parties

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. 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.

i. Comparative figures

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

5. Significant judgments and sources of estimation uncertainty

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

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

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6. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Transfer from County Treasury	25,932,178	24,666,924
Total	25,932,178	24,666,924

2. Transfers from FIF Revenue

Transfer from FIF	393,607,454	378,032,383
Total	393,607,454	378,032,383

3. Employee costs

Basic Wages - Temporary Employees	356,380	280,000
Employer Contributions to Compulsory National Social Security Schemes	12,900	-
Total	369,280	280,000

4. Use of goods and services

Communication, supplies and services	1,700,500	1,130,010
Supplies and Accessories for Computers and Printers	-	-
Domestic Travel and Subsistence, and Other Transportation Costs	12,492,395	17,332,510
Printing, advertising and information supplies & services	1,013,500	1,369,012
Office and General Supplies and Services	536,144	459,904
Hospitality Supplies and Services	2,445,606	2,117,405
Fuel Oil and Lubricants	1,117,275	331,600
Other Operating Expenses	64,340	36,370
Purchase of Household Furniture and Institutional Equipment	116,885	37,980
Total	19,486,645	22,814,791

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Board of Management Expenses

Sitting allowance	2,769,080	2,667,872
Total	2,769,080	2,667,872

6. Depreciation And Amortization Expense

Property, plant and equipment	1,554,954	957,419
Total	1,554,954	957,419

7. Repair and Maintenance

Routine Maintenance - Vehicles	618,090	684,180
Routine Maintenance - Other Assets	345,647	526,578
Total	963,737	1,210,758

8. Transfers to other government entities

Transfers to Level 4 Hospitals	393,211,209	369,158,868
Total	393,211,209	369,158,868

9. Cash and cash equivalents

Current account	1,600,502	371,566
Total cash and cash equivalents	1,600,502	371,566

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

Current account			
Kenya Commercial Bank			
KCG CGK COUNTY HEALTH MANAGEMENT HSIF	1272367622	122,432	368,900
KCG-HSIF EXPENDITURE ACCOUNT	1270272071	1,478,071	2,666
Sub- total		1,600,502	371,566
Grand total		1,600,502	371,566

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10. Receivables from Non exchange transactions

Current Receivables		
Transfers from county HSIF Fund	18,773,309	3,238,110
Total receivables from exchange transactions	18,773,309	3,238,110

11 Property Plant and equipment

Cost	Shs	Shs	Shs
Depreciation Rate	12.50%	30%	
At 1st July 2021	-	-	-
Additions	-	3,191,395	3,191,395
At 30th June 2022	-	3,191,395	3,191,395
At 1 st July 2022	-	3,191,395	3,191,395
Additions	1,016,720	1,568,150	2,584,870
At 30th June 2023	1,016,720	4,759,545	5,776,265
Depreciation and impairment			
At 1st July 2021	-	-	-
Depreciation for the year	-	957,419	957,419
At 30 June 2022	-	957,419	957,419
At 1st July 2022	-	957,419	957,419
Depreciation for the year	127,090	1,427,864	1,554,954
At 30th June 2023	127,090	2,385,282	2,512,372
Net book values			
At 30 th June 2022	-	2,233,977	2,233,977
At 30th June 2023	889,630	2,374,263	3,263,893

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12. Trade and other payables from exchange transactions

Accrued expenses	16,837,824	228,500
Total trade and other payables	16,837,824	228,500

13. Cash generated from operations

Surplus for the year before tax	1,184,728	5,609,600
Adjusted for:		
Depreciation	1,554,954	961,438
Working Capital adjustments		
Increase in receivables	(15,535,199)	(3,238,110)
Increase in payables	16,609,324	228,500
Net cash flow from operating activities	3,813,806	3,561,427

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OTHER DISCLOSURES

14. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Transfers from HSIF	419,539,632	402,699,307
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c) Key management remuneration

Board of Members allowances	2,769,080	2,667,872
Total	2,769,080	2,667,872

OTHER DISCLOSURES (CONTINUED)

15. Financial risk management

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

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

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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:

nsition are net of allowances in the

in prior experience

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OTHER DISCLOSURES (CONTINUED)

At 30 June 2023				
Receivables from non-exchange transactions	18,773,309	-	-	-
Bank balances	1,600,502	-	-	-
Total	20,373,811	-	-	-
At 30 June 2022				
Receivables from non-exchange transactions	3,238,110	-	-	-
Bank balances	371,566	-	-	-
Total	3,609,676	-	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from 30 June 2023.

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.

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OTHER DISCLOSURES (CONTINUED)

The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

OTHER DISCLOSURES (CONTINUED)				
At 30 June 2023				
Trade payables	16,837,824	-	-	16,837,824
Total	16,837,824	-	-	16,837,824
At 30 June 2022				
Trade payables	228,500	-	-	228,500
Total	228,500	-	-	228,500

c) Capital risk management

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

Accumulated surplus	6,799,880	26,350,883
Total funds	6,799,880	26,350,883
Less: cash and bank balances	(1,600,502)	(8,099,547)
Net debt/ (excess cash and cash equivalents)	5,199,378	18,251,336
Gearing	76%	69%

16. Events after the reporting period

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

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17. Ultimate and Holding Entity

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

18. Currency

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

Kenya Shillings (Kshs)
Services to Government
PFM Act 2012

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20. ANNEXES

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

The external auditor did not raise any concerns in the prior financial year.

**CPA RACHEAL BAHATI
FUN ADMINSTATOR**

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Date.....