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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KAKAMEGA COUNTY MATERNAL CHILD  
HEALTH AND FAMILY PLANNING FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

COUNTY GOVERNMENT OF KAKAMEGA



**IMARISHA AFYA YA  
MAMA NA MTOTO**

When replying please quote  
**Our Ref: CGK/ADC/FIN/ 01/2021/08**

Sahajannad Building  
First Floor, Kakamega Mumias-RD  
**Date 25/02/2021**

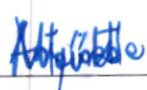
To

The Director of Audit  
Office of the Auditor General  
Western Hub  
P. O. Box 380- 50100  
KAKAMEGA.



**RE: SUBMISSION OF FINANCIAL STATEMENTS FOR THE F/Y 2019/2020**

Following the auditor's recommendation, Kakamega County Maternal Child Health and Family Planning Fund is resubmitting the amended financial statement for the year 2019/2020.

  
**Muyuka Antoinette**  
**Program Manager**



**Kakamega County Maternal Child Health and Family Planning Fund**  
**County Government of Kakamega**

CC

1. Kakamega County Assembly
2. Director General Accounting Services (National Treasury)
3. County Assembly of Kakamega
4. Chairperson Commission on Revenue Allocation
5. Controller of Budget
6. Office of the CEC Finance County Treasury
7. County Chief Officer



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**COUNTY GOVERNMENT OF KAKAMEGA  
(MATERNAL CHILD HEALTH AND FAMILY PLANNING FUND)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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



**The Kakamega County Maternal Child Health and Family Planning Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **a) Background information**

The Kakamega County Maternal Child Health and Family Planning fund derives its authority and accountability from the Kakamega County Maternal Child Health and Family Planning Act, 2017. The Fund is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

The key objective of the fund is to reduce maternal and under five mortality through use of social cash transfers with a visible platform.

The Fund receives its funds from the Ministry of Health Services after approval by the Chief Officer medical services.

### **b) Principal Activities**

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

- a) promotion of the health of the mother and child from conception to the time the child achieves the age of eighteen months,
- b) promotion of family planning,
- c) creation of awareness on HIV/AIDS,
- d) implementation of community health services,
- e) Improving of nutrition status of mothers and children below the age of eighteen months.



**The Kakamega County Maternal Child Health and Family Planning Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**c) Registered Offices**

P.O. Box 36 -50100  
Sahajanand Building First floor  
Mumias Road  
Kakamega, Kenya

**d) Fund Contacts**

Telephone: 05631850/31852/31853  
E-mail: [oparanyacare@kakamegacounty.go.ke](mailto:oparanyacare@kakamegacounty.go.ke)  
Website: [www.kakamega.go.ke](http://www.kakamega.go.ke)

**e) Fund Bankers**

Kenya Commercial Bank  
Kenyatta Avenue  
Kakamega  
P.O Box 152 - 50100  
Kakamega-Kenya

**f) Independent Auditors**

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

**g) Principal Legal Adviser**

Moses Sande -County Attorney  
County Headquarter  
Kakamega town  
P.O. Box 36-50100  
Kakamega, Kenya

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**The Kakamega County Maternal Child Health and Family Planning Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

**2. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S  
PREDETERMINED OBJECTIVES**

**Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities 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.

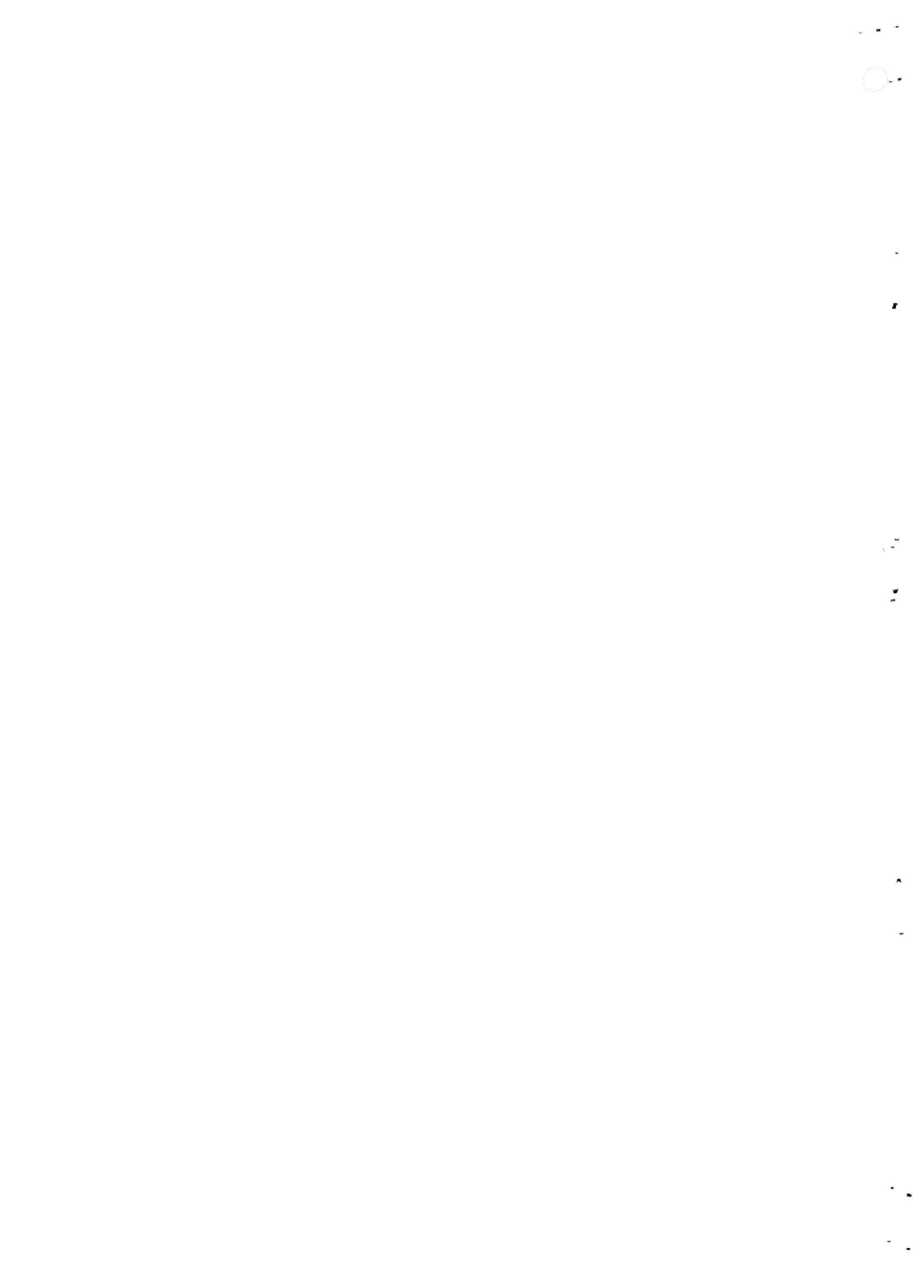
The key objectives of County Government of Kakamega Maternal Child Health and Family Planning Fund plan are to:

- a) promotion of the health of the mother and child from conception to the time the child achieves the age of eighteen months,
- b) promotion of family planning,
- c) creation of awareness on HIV/AIDs,
- d) implementation of community health services,
- e) Improving of nutrition status of mothers and children below the age of eighteen months.

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Imarisha afya ya mama na mtoto	a) <i>To provide a framework for cash transfers of authorised payment to needy mothers</i>	a) The program registered 6,250 mothers to the program	The program registered 6,250 mothers to the program	In FY 19/20 we increased payment to needy mothers registered



**The Kakamega County Maternal Child Health and Family Planning Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

	<i>registered in The Kakamega County Maternal Child Health and Family Planning Program</i>		within the County	following upgraded Management Information System
	<i>b) Provide a platform aimed at giving incentives to expectant and lactating mothers to access health services</i>	<b>b)</b> The program is currently using the upgraded Management Information System in all the 24 registration sites.	All mothers have been updated on the current system.	Needy mothers are now being paid using the new system
	<i>c) Increase family planning uptake</i>	Conducting sensitization meetings on family planning uptake	4 sensitization meetings conducted in the year	
	<i>d) Create awareness on transmission, prevention and control of HIV/AIDS</i>	Conducting sensitization meetings on HIV/AIDS awareness	4 sensitization meetings conducted in the year	

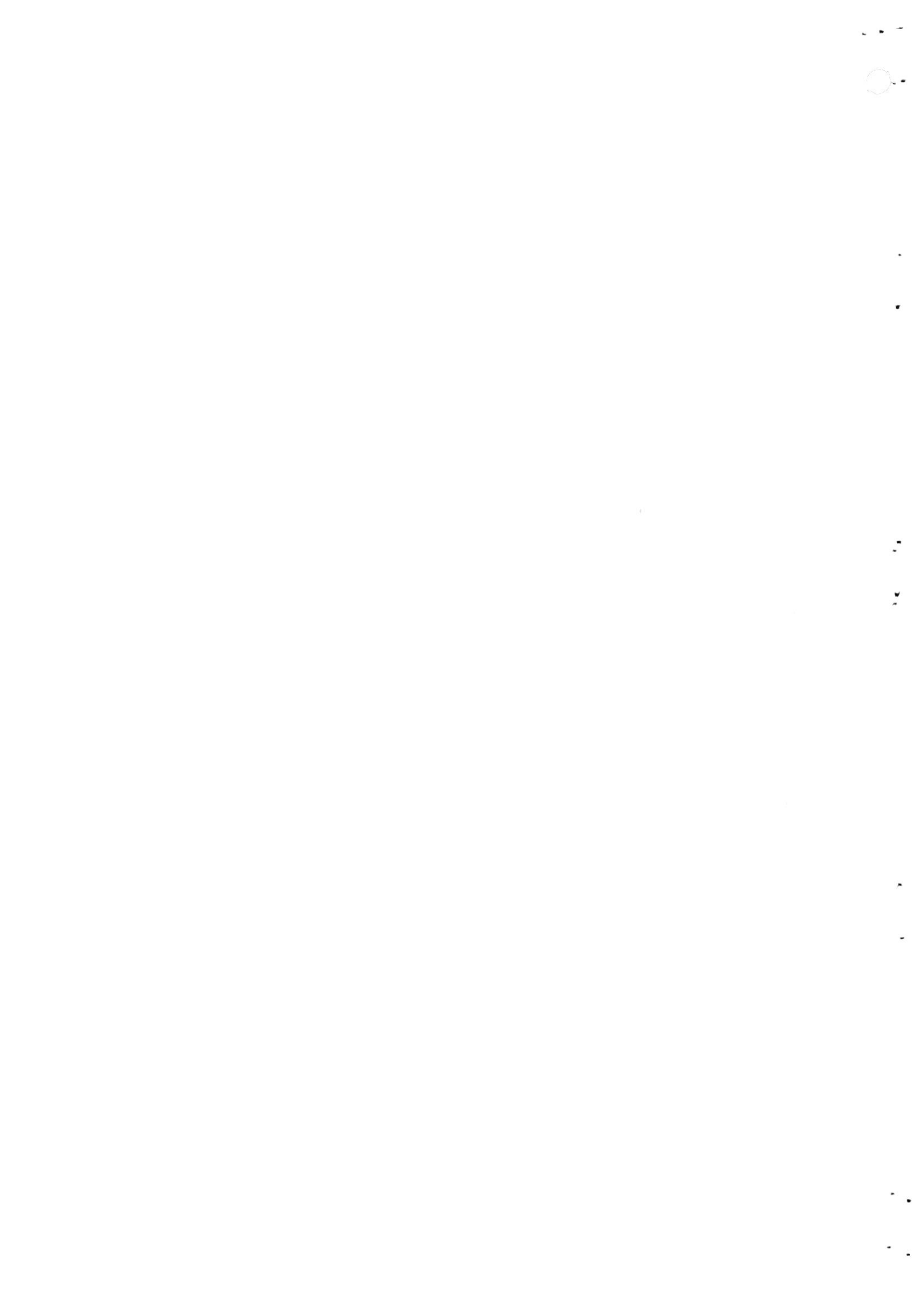


**The Kakamega County Maternal Child Health and Family Planning Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**3. MANAGEMENT TEAM**

<b>Name</b>	<b>Details of qualifications and experience</b>
Amb James Ochami	Chief Office Finance
Dr Beatrice Etemesi	Chief Office Health Services
Dr Arthur Andere	Director Health Services



#### **4. BOARD/FUND CHAIRPERSON'S REPORT**

The Imarisha Afya ya Mama na Mtoto program is a County Fund established under the Kakamega County Maternal Child Health and Family Planning Act 2017. Inception of this Fund was informed by the state of maternal child health in Kakamega County. Kakamega County is the second most populous after Nairobi with a projected population of 2,073,926 and an annual growth rate of 2.5%. More than half (52%) of the population is made up of women with 24.7% being women of childbearing age. Most maternal, child health and nutrition indicators are wanting and require efforts to address them. The prevalence of HIV among the population aged 15-64 years in Kenya is 5.6% (KAIS 2012) whereas the figure for the county is 4.7 %. HIV/AIDS scourge has become the greatest contributor to child deprivation and high dependency ratio in Kakamega with a large number of orphaned children deprived of their rights. Due to this, child headed households have become a common occurrence in the county. Measures to address and reverse these trends informed the County Government's initiative to launch the Maternal Neonatal Child Health and Nutrition Program to address accessibility to service and knowledge gap which emerged as the main barriers to service.

The program has helped improved health seeking behaviour in the county and there has been a great improvement in the uptake of four antenatal care (ANC) clinics and skilled deliveries with mothers in the county. The Program has played a major part in the improvement of immunization and child health indicators in the County. There has been also a lot of information sharing especially messages concerning nutrition and family planning to the mothers through the Program.

In order to fully implement its mandate as stipulated by the Kakamega County Maternal Child Health and Family Planning Act 2017, the Program has been working on a re-design that aims to improve its service delivery and to integrate socio-economic improvements to beneficiary mothers. One of the key areas that the Program is seeking to improve is the linkage of beneficiary mothers to other social services including social protection and social assistance programs especially the national program for people with severe disability, the cash transfer for orphans and vulnerable children and children protection programs in the county. The program will also work with other social initiatives in the county like the shelter improvement program so identify beneficiaries in the program that are likely to need assistance from such initiatives. For sustainability and economic empowerment, the program is developing economic models for mothers who have exited in the program so that they will be able to empower themselves even as their children grow.

The program with the aim of improving service delivery and efficiency has upgraded its management information system to streamline, registration and targeting of beneficiaries, validation of beneficiaries and their enrolment process. The upgraded Management Information System (MIS) has further incorporated mechanisms to map beneficiary mothers to ensure equitable registration of mothers in the county.

The program acknowledges the immense technical support received from UNICEF Kenya to be able to do the re-design and system upgrade. The program further strives to work with other key stakeholders and partners in the county to pool enough resources to improve maternal child health in Kakamega County.

Signed: \_\_\_\_\_

Name:



**The Kakamega County Maternal Child Health and Family Planning Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**5. REPORT OF THE FUND ADMINISTRATOR**

The Kakamega County Maternal Child Health and Family Planning Fund was established in the year 2017 after the enactment of The Kakamega County Maternal Child Health and Family Planning Act, 2017.

**Mandate**

The Fund derives its powers from The Kakamega County Maternal Child Health and Family Planning Act 2017, besides the constitution of Kenya.

Its core functions are:

- a) promotion of the health of the mother and child from conception to the time the child achieves the age of eighteen months,
- b) promotion of family planning,
- c) creation of awareness on HIV/AIDs,
- d) implementation of community health services,
- e) Improving of nutrition status of mothers and children below the age of eighteen months.

**Management of funds**

The Fund's main sources of revenue include disbursement from the county treasury. The funds are utilized on:

- a) Paying registered needy pregnant mothers at the scheduled points of care,
- b) Support operations and managements of the Fund,
- c) Support Family Planning activities,
- d) Support HIV/AIDs prevention activities.

**Operation of the fund**

The Imarisha Afya Ya Mama Na Mtoto Account at Kenya Commercial Bank is the main operation account. Total receipts as at 30<sup>th</sup> June 2020 was Ksh 60,000,000. Cash Transfer to Mothers was 23,126,820, Staff costs 4,948,967, General expenses amounted to Ksh 14,826,605 and the finance costs Ksh. 0.00. Capital Funds for the Year amounted to Ksh. 31,012,934, the accumulated surplus as at 30<sup>th</sup> June 2020 was Ksh. 19,564,117. The cash and cash equivalents as at 30<sup>th</sup> June 2020 was Ksh 58,877,317.

Signed: for Antoinette

Name: MOYUKA ANTOINETTE



## **6. CORPORATE GOVERNANCE STATEMENT**

Since the Board is not yet in place, no meeting has been held so far hence no attendance to those meetings by members. According to The Kakamega County Maternal Child Health and Family Planning Act 2017, the process of appointment and removal and the roles and functions of the Board members are as follows;

### **Appointment;**

The County Executive Committee Member of Health shall make appointments under sub section (2) (a) (d) (e) (f) (h). In making appointment under sub section (3) the Executive Committee Member shall take into consideration gender and regional balance. A person appointed under sub section (3) shall hold office for a term of three years, unless he/she resigns, and may be eligible for reappointment for one further term.

### **Removal from the office;**

A member of the committee may be removed from office under the following grounds;

- a) for gross misconduct,
- b) violation of the constitution or any other law,
- c) prolonged mental or physical infirmity,
- d) on being declared bankrupt by a court of law,
- e) upon death, and
- f) Upon missing three consecutive meetings without lawful reasons.

### **Roles and functions of the committee;**

They are as described in Kakamega County Maternal Child Health and Family Planning section 11

### **Fund Administrator**

12. 1) The executive committee member for finance shall designate a person responsible for administration of the Fund.
- 2) The Fund Administrator shall be responsible for the running of the day-to-day activities of the Fund.
- 3) The Fund administrator may be seconded from a relevant department within the county government or competitively recruited.
- 4) A person designated as the Fund administrator shall possess at least a degree from a university recognised in Kenya and five years working experience in management of development or government programs.
- 5) The Fund administrator shall serve for a period of four years and may be eligible for reappointment for one further term upon satisfactory performance.
- 6) The Fund administrator shall be employed on such terms and conditions of service as the County Public Service Board may determine in line with the Salaries and Remuneration Commission guidelines.



## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

During the financial year 2019/2020, the fund registered 6,250 mothers and disbursed a total of Ksh 23,084,820.00 to the program beneficiaries, which was 74.47% lower than the previous year. The program is entering into its second phase with the re-design and upgraded MIS which limits registration to only mothers with Identity cards or letters from the chief. The program only has 1 entry point-during pregnancy and this gives helps in program service delivery by ensuring that there is enough time to conduct community validation therefore only the poorest of the poorest mothers registering in the program. this due to the use of the currently upgraded Management Information System in all the 24 registration sites that where the Imarisha Afya ya Mama na Mtoto Programme opens two entry points to be registered as beneficiary of the programme: after receiving the 1<sup>st</sup> ANC during the first trimester or when completing 4 quality ANC services. This gives the PW ample window of opportunity to enter the programme and facilitates the inclusion of the poorest and most vulnerable. However, the 1<sup>st</sup> ANC will only generate a cash payment if it takes place during the first trimester. Those receiving the 1<sup>st</sup> ANC after the first trimester will be registered in the programme but will not receive that first payment. They can benefit from the subsequent cash payments if they complete 4 quality ANC services at the IHC. However most of the mothers are not taking the advantage of the windows thus end up being looked out.

The Imarisha Afya Ya Mama na Mtoto Programme is complemented by a range of investments made by the County Government and supported by the donor community, mainly from UNICEF. The goal is to improve the provision of quality services while working on the supply side to achieve a comprehensive policy vision. One of these investments is the Maternal, Neonatal, and Child Health (MNCH) Programme. The program with the support of UNICEF have re-designed the Imarisha Afya Ya Mama Na Mtoto Programme Operational Manual model and is preparing for launching.



**8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The program participated in the world contraceptive day celebrated in Navakholo sub County at the sub county hospital grounds on the 26th September 2019. This has seen an increase in the number of pregnant women seeking professional health services and has encouraged the beneficiaries to attend counselling services on sexual and reproductive health, family planning, HIV and AIDS prevention, nutrition, childcare, and safe and responsible motherhood for pregnant women and mothers of children less than 18 months.

The program being sending out reminder text messages and making follow up calls to beneficiary mothers about the need to continue take their children for full immunization even in the midst of corona virus. In line with that they have been sensitized and encouraged to follow the set protocols and standard procedures by the ministry of health and world health organization on the prevention of the spread of corona virus by frequent hand washing, maintaining social distancing and wearing masks at all-time whenever they are in public places.



**The Kakamega County Maternal Child Health and Family Planning Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**9. REPORT OF THE TRUSTEES**

The Fund Administrator submits their report together with financial statements for the year ended June 30th 2020 which show the state of the Fund affairs.

**Principal activities**

- 1) The principle activities of the fund are;
- 2) to provide a framework for cash transfers of authorized payment to needy mothers registered in The Kakamega County maternal Child Health and Family Planning Program through an open cash transfer platform,
- 3) provide a platform aimed at giving incentives to expectant and lactating mothers to access services to- increase the number of pregnant mothers attending antenatal clinic services, increase the number of skilled deliveries in county facilities, increase the number of mothers attending postnatal clinic services, reduce mother and child morbidity and mortality, promote advocacy, communication and social mobilization towards elimination of mother to child transmission of HIV/AIDs, improve nutrition status of mothers and children below the age of eighteen months and to increase the uptake of immunization services for children up to eighteen months,
- 4) to increase family planning uptake,
- 5) and to create awareness on transmission, prevention and control of HIV/AIDs.

**Results**

The results of the Fund for the year ended June 30th, 2020 come from the initiated and implemented activities during the year. During the year the program conducted community validation using the upgraded Management Information System. The program also conducted review of the Kakamega County Maternal Child Health and Family Planning Act 2017. The program has also reviewed the system user guides and operations manuals and other program documents ready for printing. During this year fact sheets for the program were printed ready for distribution.

**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

Member of the Board

Date: \_\_\_\_\_



**The Kakamega County Maternal Child Health and Family Planning Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by section 16(1) of the Public Finance Management Act, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for the year ended on June 30th 2020. This responsibility includes:

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Kakamega county Maternal Child Health and Family Planning Act, 2017. The Management Committee 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 quarter ended June 30th 2020, and of the Fund's financial position as at that date. The Management Committee further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on \_\_\_\_\_ 2020 and signed on its behalf by:

\_\_\_\_\_  
Administrator of the County Public Fund

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY MATERNAL CHILD HEALTH AND FAMILY PLANNING FUND FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kakamega County Maternal Child Health and Family Planning Fund set out on pages 15 to 36, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kakamega County Maternal Child Health and Family Planning Fund as at 30 June, 2020, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Kakamega County Maternal Child Health and Family Planning Fund Act, 2017.

#### Basis for Qualified Opinion

##### 1.0 Presentation and Disclosures of the Financial Statements

The Fund's financial statements provided for audit are not been prepared in accordance with International Public Sector Accounting Standards - Accrual Basis and in the format prescribed by the Public Sector Accounting Standards Board (PSASB) as detailed below:

- 1.1 The Fund's financial statements and report have not disclosed the details of the Board of Trustees (or any other corporate governance body for the Fund). In addition, the Management Team included at page 6 to the Fund's financial statements does not include the photos, qualifications and experience of the Management Team.

**1.2** The Report of the Trustees and the statement of Management Responsibilities at pages 12 and 13 to the financial statements have not been signed.

## **2.0 Unsupported Staff Costs**

The statement of financial performance reflects staff costs amounting to Kshs.4,948,967 as disclosed in Note 4 to the financial statements. However, no evidence was provided to show how many members of staff were employed or engaged by the Fund and the terms of service or engagement.

In the circumstances, the accuracy of the Kshs.4,948,967 on staff cost could not be confirmed.

## **3.0 Inaccuracy in the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects Kshs.121,820,140 and Kshs.64,476,000 on the Fund's proposed and final revenue budget respectively. However, evidence on the computation of the Kshs.64,476,000 was not provided for audit.

In addition, the statement reflects Kshs.121,820,140 and Kshs.65,000,000 on the Fund's proposed and final expenditure budget respectively. However, evidence on the computation of the Kshs.65,000,000 was not provided for audit.

Further, the Management did not provide an approved budget for audit contrary to Section 21(1) and (3) of the Kakamega County Maternal Child Health and Family Planning Act, 2017.

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts for the year under review could not be confirmed. In addition, the Fund Management breached the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Maternal Child Health and Family Planning 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.

## **Key Audit Matters**

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

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflect an unapproved revenue budget of Kshs.64,476,000 which is approximately 2.7% of the Department of Health budget of Kshs.2,401,804,526 contrary to Section 8(4) of the Act which states that the County Government shall ensure that it reserves at least three percent (3%) of the annual health budget for the Kakamega County Maternal Child Health and Family Planning program and at least one point five percent (1.5%) of its annual budget for paying stipends to community health volunteers.

In addition, the Fund spent Kshs.42,902,392 or 67% of the Kshs.65,000,000 on the expenditure budget leading to budget under- utilization of Kshs.22,097,608 or 34%.

The overall budget under- utilization of Kshs.22,097,608 or 34% may be an indicator of poor budget making process.

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

#### **Failure to Constitute Management Committee**

The Fund does not have an established Management Committee contrary to Section 10 and 11 of the Kakamega County Maternal Child Health and Family Planning Act, 2017 that requires a management committee to be constituted to run the affairs of the Fund.

In the circumstances, the Fund's Management is in breach of the law.

#### **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 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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to 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 resources are applied in an effective way.

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue or 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

09 February, 2022

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**12. FINANCIAL STATEMENTS**

**12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30<sup>th</sup> JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	1	64,476,000	127,769,400
<b>Total revenue</b>		<b>64,476,000</b>	<b>127,769,400</b>
<b>Expenses</b>			
Cash Transfer to Mothers	2	23,126,820	90,432,600
Staff costs	3	4,948,967	4,908,970
General expenses	4	14,826,605	34,437,321
<b>Total expenses</b>		<b>42,902,392</b>	<b>129,778,891</b>
<b>Surplus/( deficit) for the period</b>		<b>21,573,608</b>	<b>(2,009,491)</b>

The notes set out on pages 31 to 36 form an integral part of these Financial Statements

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**12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	58,877,317	21,820,140
Short Term Cash Imprest	5	105,000	-
<b>Non-current assets</b>			
Property, plant and equipment	7	4,866,965	7,183,303
<b>Total assets</b>		<b>63,849,282</b>	<b>29,003,443</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to Mothers	6	13,272,231	-
<b>Non-current liabilities</b>			
<b>Total liabilities</b>		<b>13,272,231</b>	<b>-</b>
<b>Net assets</b>			
Fund Balance		31,012,934	31,012,934
Accumulated surplus		19,564,117	(2,009,491)
<b>Total net assets and liabilities</b>		<b>63,849,282</b>	<b>29,003,443</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 JUNE 2020 and signed by:

for Antoinette  
 Administrator of the Fund  
 Name: MUYUKA ANTOINETTE

MSK  
 Fund Accountant  
 Name: SHEILA MUKANZI  
 ICPAK Member Number:



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**12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

	<b>Fund Balance</b>	<b>Accumulated surplus</b>	<b>Total</b>
		<b>KShs</b>	<b>KShs</b>
			-
<b>Balance as at 1 July 2018</b>	<b>31,012,934</b>		<b>31,012,934</b>
Surplus/(deficit) for the period		(2,009,491)	<b>(2,009,491)</b>
Funds received during the year	-	-	-
Revaluation	-	-	-
<b>Balance as at 30 June 2019</b>	<b>31,012,934</b>	<b>(2,009,491)</b>	<b>29,003,443</b>
<b>Balance as at 1 July 2019</b>	<b>31,012,934</b>	<b>(2,009,491)</b>	<b>29,003,443</b>
Surplus/(deficit) for the period	-	21,573,608	<b>21,573,608</b>
Funds received during the year	-	-	-
Revaluation gain	-	-	-
<b>Balance as at 30 June 2020</b>	<b>31,012,934</b>	<b>19,564,117</b>	<b>50,577,051</b>

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12.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	1	64,476,000	127,769,400
<b>Total Receipts</b>		<b>64,476,000</b>	<b>127,769,400</b>
<b>Payments</b>			
Cash Transfer to Mothers	2	(23,126,820)	(90,432,600)
Staff costs	3	(4,948,967)	(4,908,970)
General expenses	4	(14,826,605)	(34,437,321)
Depreciation		2,316,338	2,687,764
<b>Total Payments</b>		<b>(40,586,054)</b>	<b>(127,091,126)</b>
<b>cash flows from operating activities</b>		<b>23,889,946</b>	<b>678,274</b>
increase in account receivables	5	(105,000)	
Increase in payables	6	13,272,231	
<b>Net cash flows from operating activities</b>		<b>37,057,177</b>	<b>678,274</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets			(2,105,948)
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>(2,105,948)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>37,057,177</b>	<b>(1,427,674)</b>
Cash and cash equivalents at 1 JULY		21,820,140	23,247,814
<b>Cash and cash equivalents at 30 JUNE</b>	11	<b>58,877,317</b>	<b>21,820,140</b>

The cash flow statement has used the direct method.

The Kakamega County Maternal Child Health and Family Planning Fund

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12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE

Receipt/Expense Item	PROPOSED BUDGET	ADJUSTED BUDGET	SUPPLEMENTARY	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020
<b>RECEIPTS</b>							
Transfers from county govt.	121,820,140	121,820,140		64,476,000	64,476,000	64,476,000	100
<b>TOTAL</b>	<b>121,820,140</b>	<b>121,820,140</b>		<b>64,476,000</b>	<b>64,476,000</b>	<b>64,476,000</b>	100
<b>EXPENSES</b>							
Staff costs	5,515,964	5,515,964		5,515,964	4,948,967	462,125	90
Communication For Development	4,102,000	4,102,000		2,461,200	1,694,375	1,694,375	69
Social Policy	5,139,600	5,139,600		3,083,760	629,300	629,300	20
System Administration And Management	3,978,000	3,978,000		2,386,800	2,191,880	2,191,880	92
Program Redesign And Launch	3,653,600	3,653,600		2,941,440	683,600	683,600	23
cash transfer to mothers	87,000,000	66,000,000		37,000,000	23,126,820	23,126,820	63
Monitoring and Evaluation	5,064,400	5,064,400		5,064,400	3,927,043	3,927,043	78
Administration	4,366,576	3,546,436		3,546,436	3,384,069	3,384,069	95
Asset depreciation	3,000,000	3,000,000		3,000,000	2,316,338	683,662	77
<b>Total expenditure</b>	<b>121,820,140</b>	<b>100,000,000</b>		<b>65,000,000</b>	<b>42,902,392</b>	<b>36,782,874</b>	66
Surplus for the period					21,573,608		

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**13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. 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. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2016**

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2016</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2016**

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

**1. Revenue recognition**

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

**Transfers from other government entities**

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

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**i) Revenue from exchange transactions**

***Interest income***

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

**3. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on June 30<sup>th</sup> 2019. 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

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

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 of these financial statements.

**4. Property, plant and equipment**

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

The depreciation policy use is the one adopted from KRA wear and tear allowances which are charged on capital expenditure on machinery and equipment where they are classified into five classes all of which are offered the allowances at different rates.

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- Class 1 - includes heavy earth moving equipment and self-propelling vehicles e.g. Lorries above 3 tonnes, forklifts, trucks. The rate is 37.5 % p.a.
- Class 2 - computers, photocopiers, scanners. The rate is 30%
- Class 3 - includes light self-propelling vehicles and other machines such as aircrafts, motorbikes, Lorries under 3 tonnes. The rate is 25%.
- Class 4 - e.g telephone sets, switch boards, bicycles. The rate is 12.5%.

## **5. Intangible assets**

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

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

## **6. Financial instruments**

### *Financial assets*

#### *Initial recognition and measurement*

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

#### *Loans and receivables*

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

#### *Held-to-maturity*

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

#### *Impairment of financial assets*

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The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

**7. Inventories**

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

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

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

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After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

## **8. Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

### ***Contingent liabilities***

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

### ***Contingent assets***

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

## **9. Nature and purpose of reserves**

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

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**10. 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.

**11. Employee benefits– Retirement benefit plans**

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

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

**12. Foreign currency transactions**

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

**13. Borrowing costs**

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

**14. Related parties**

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

**15. 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

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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 imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**16. Comparative figures**

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

**17. Events after the reporting period**

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

**18. Ultimate and Holding Entity**

The entity is a County Public Fund established by Kakamega County Maternal Child Health and Family Planning Act 2017 under the Ministry of Health. Its ultimate parent is the County Government of Kakamega.

**19. Currency**

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

**20. 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.

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

**Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the Entity

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- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**Provisions**

Provisions were not raised and management did not determined an estimate.

**21. Financial risk management**

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

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

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

a)                   Liquidity risk management

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

c)                   **Market risk**

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

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

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

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

**i. Foreign currency risk**

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

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**Foreign currency sensitivity analysis**

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

**i. Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**b) 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:

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

	<b>FY 2019/2020</b>	<b>FY 2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Capital Fund	31,012,934	31,012,934
Accumulated surplus	19,564,117	- 2,009,491
<b>Total net assets and liabilities</b>	<b>63,849,282</b>	<b>29,003,443</b>
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	-	-



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12.6. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from County Government

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from County Govt. – operations	60,000,000	123,293,400
Payments by County on behalf of the program	4,476,000	4,476,000
<b>Total</b>	<b>64,476,000</b>	<b>127,769,400</b>

2 Cash Transfer to Mothers

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Beneficiary Mothers	23,126,820	90,432,600
<b>Total</b>	<b>23,126,820</b>	<b>90,432,600</b>

3 Staff costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Staff gratuity	472,967	432,970
Staff salaries	4,476,000	4,476,000
<b>Total</b>	<b>4,948,967</b>	<b>4,908,970</b>



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4 GENERAL EXPENCES

Communication For Development Expenses	FY2019/2020	FY2018/2019
daily subsistence	1,196,250	1,600,000
stationaries and supplies	36,000	
Printing	462,125	
Trade shows		298,400
Uniforms		8,000
	<b>1,694,375</b>	<b>1,906,400</b>

Social Policy Expenses	FY2019/2020	FY2018/2019
Daily subsistence	414,300	400,000
stationaries and supplies	215,000	
	<b>629,300</b>	<b>400,000</b>

System Administration And Management Expenses	FY2019/2020	FY2018/2019
catering services	740,000	450,000
computer accessories	130,030	
Daily subsistence	700,850	
stationaries and supplies	403,000	
Telephone	218,000	120,000
	<b>2,191,880</b>	<b>570,000</b>

Program Redesign And Launch Expenses	FY2019/2020	FY2018/2019
Office stationaries and supplies	20,000	534,445
Daily Subsistence	663,600	500,000
	<b>683,600</b>	<b>1,034,445</b>

Monitoring and Evaluation Expenses	FY2019/2020	FY2018/2019
catering services	104,500	150,000
Daily Subsistence	2,271,450	2,500,000
telephone	1,551,093	883,400
	<b>3,927,043</b>	<b>3,533,400</b>

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<b>Administration Expenses</b>	<b>FY2019/2020</b>	<b>FY2018/2019</b>
bank charges	11,070	17,800
catering services	381,212	321,086
computer maintenance	66,300	80,000
Conference	70,000	
Daily subsistence	1,402,800	1,801,218
Fuel	500,000	589,800
stationaries and supplies	641,115	597,871
motor vehicle insurance	7,574	7,574
motor vehicle maintenance	194,298	70,613
Other fuel	1,000	5,500
printing	35,500	106,100
Travel costs	62,000	267,750
Subscription	11,200	
Capacity building		146,000
	<b>3,384,069</b>	<b>4,011,312</b>

**Asset depreciation**

<b>Description</b>	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Land	-	
Moto vehicle	227,143	126,191
Furniture and fittings	3,808,065	2,077,127
Computer and accessories	968,894	484,447
<b>Total</b>	<b>2,316,338</b>	<b>2,561,573</b>

**Grand Total** **42,902,392**      **129,778,891**

**5 Cash and cash equivalents**

<b>Description</b>	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Fixed deposits account	-	-
On – call deposits	-	-
Current account	45,605,086	21,820,140
Others	13,272,231	-
<b>Total cash and cash equivalents</b>	<b>58,877,317</b>	<b>21,820,140</b>

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Deatiled analysis of cash and cash equivalents are as follows:

Financial institution	Account number	KShs	KShs
<b>c) Current account</b>			
Kenya Commercial bank	1148241272	45,605,086	21,820,140
Equity Bank - etc		-	
<b>Sub- total</b>		<b>45,605,086</b>	<b>21,820,140</b>
<b>d) Others(specify)</b>			
Short Term Cash Imprest		105,000	-
M-Pesa	823510	13,272,231	-
<b>Sub- total</b>		<b>13,377,231</b>	<b>-</b>
<b>Grand total</b>		<b>58,982,317</b>	<b>21,820,140</b>

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

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Payable to Beneficiary Mothers	13,272,231.00	-
<b>Total trade and other payables</b>	<b>13,272,231.00</b>	<b>-</b>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Property, plant and equipment

	Land and Buildings	Furniture	Computer	Motor Vehicle	Total
Cost	KShs	KShs			
At 1st July 2018		979,525	4,847,807	1,937,788	7,765,120
Additions		30,000	2,075,948	-	2,105,948
Disposals					
Transfers/adjustments					
At 30th June 2019		1,009,525	6,923,755	1,937,788	9,871,068
At 1st July 2019		1,009,525	6,923,755	1,937,788	9,871,068
Additions					
Disposals					
Transfer/adjustments					
At 30th June 2020		1,009,525	6,923,755	1,937,788	9,871,068
<b>Depreciation and impairment</b>					
At 1st July 2018		-	-	-	-
Depreciation		126,191	2,077,127	484,447	2,687,764
Impairment					
At 30th June 2019		126,191	2,077,127	484,447	2,687,764
At 1st July 2019		126,191	2,077,127	484,447	2,687,764
Depreciation		100,952	1,730,939	484,447	2,316,338
Disposals					
Impairment					
Transfer/adjustment					
At 30th June 2020		227,143	3,808,065	968,894	5,004,102
<b>Net book values</b>					
At 30th June 2019		883,334	4,846,629	1,453,341	7,183,303
At 30th June 2020		782,382	3,115,690	968,894	4,866,965



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**12 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
Nil	Nil	Nil	Nil	Nil	Nil

**Guidance**

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.

