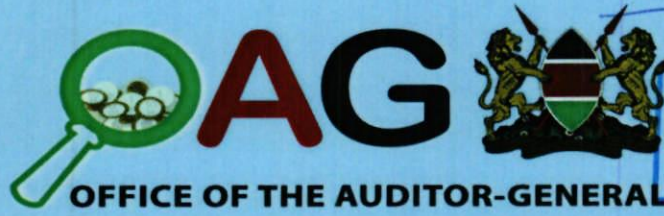


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THE AUDITOR-GENERAL

ON

**THE KILIFI COUNTY HEALTH SERVICES
IMPROVEMENT FUND**

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

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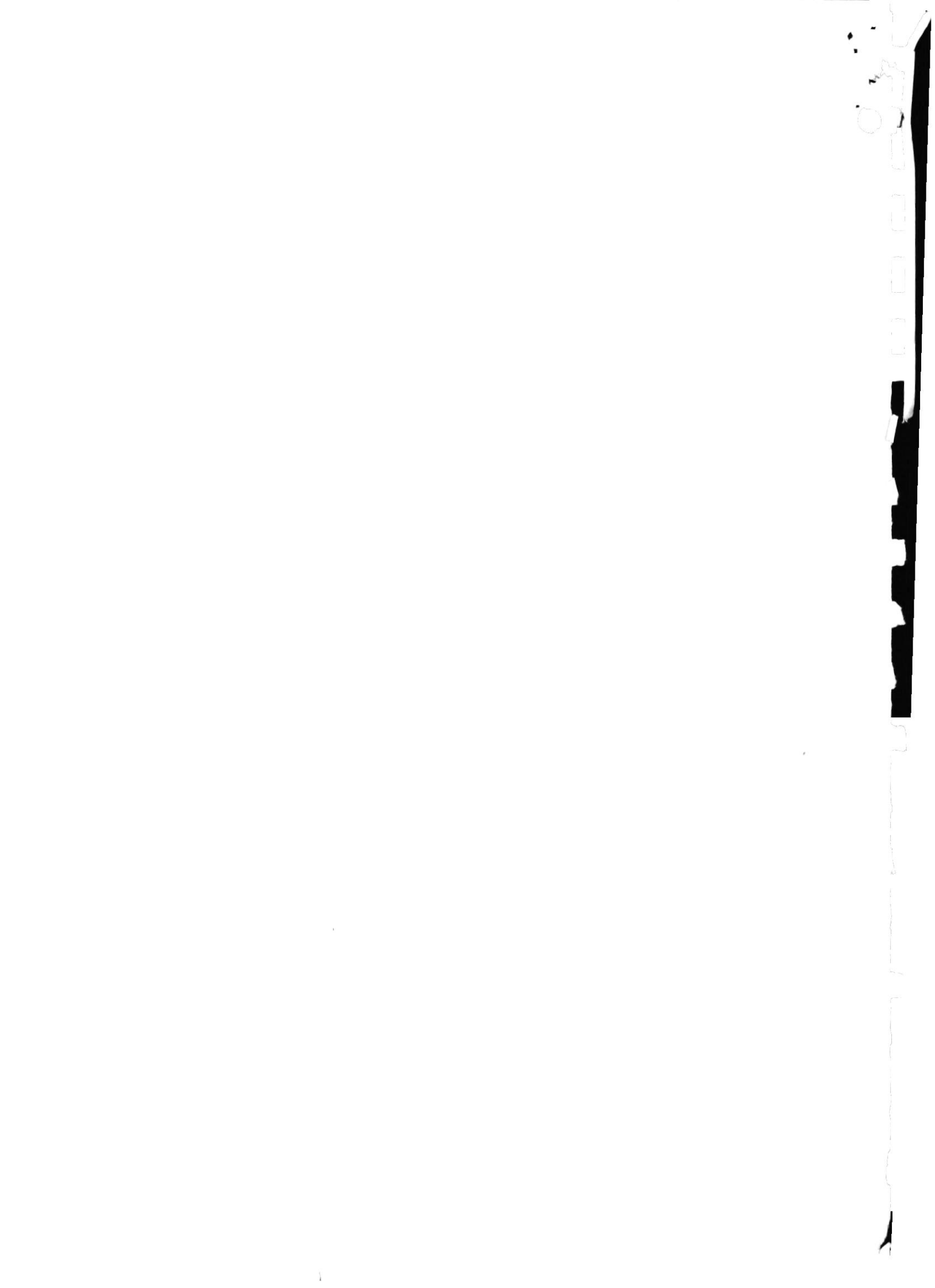


THE KILIFI COUNTY HEALTH SERVICES IMPROVEMENT
FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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



**Kilifi County Health Services Improvement 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

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

The Act was gazetted on 19th 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.

**The Kilifi County Health Services Improvement Fund
Reports and Financial Statements
For the year ended June 30, 2020**

c) Fund Board

Ref	Name	Position
1	Peter Mwarogo	Chairman
2	Witness N. K. Tsuma	Member
3	Sammy G. Charo	Member
4	Joyce Peshu	Member
5	Alio Ibrahim Adan	Member
6	David Mulewa	Member
7	Racheal Bahati	Fund Administrator

d) Key Management

Ref	Name	Position
1	Racheal Bahati	Fund Administrator
2	Joan Umazi	Fund Accountant

e) Registered Offices

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

f) Fund Contacts

Telephone: (254) 0796162069
E-mail: hsifkilifi@gmail.com
Website: www.kilifi.go.ke

Fund Bankers

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

g) Independent Auditors

Auditor General

Kenya National Audit Office


Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

2. THE BOARD MEMBERS

Name	Details of qualifications and experience
	<p>Peter Mwarogo - Chairperson</p> <p>Mr. Peter Mwarogo was appointed as HSIF Board Member on 9th March 2018. Mr. Peter Mwarogo has over thirty-five years of experience in international development and management. He has held management and technical positions in leading international development organizations. He is the immediate former Country Director for FHI 360-Kenya. In addition to his executive management experience, Mr. Mwarogo has expertise in, public health planning and management, corporate governance, evaluation, and research. In his previous positions he has collaborated closely with high level Government of Kenya and international development agency officials such as DFID, USAID, CDC, PEPFAR, DANIDA, CIDA Canada UNAIDS and WHO. From 2006 to 2008 he served as a member of the UNAIDS HIV prevention Reference Group, a think tank on HIV prevention and care, based in Geneva. He served as chairman of the Board of Directors of the African Network for Strategic Communication in Health and Development (AFRICOMNET) for ten years. Mr. Mwarogo has an MPH from Tulane University USA, a BA and graduate diploma from the University of Nairobi, and numerous certificates of advanced training from Kenyan and international institutions.</p>



Sammy G. Charo – Member



Mr. Sammy Gona was appointed as HSIF Board Member on 9th March 2018. Sammy Gona is a teacher at Mwandaza Primary school. He holds PI Certificate Education from High ridge teachers college Nairobi, Bachelors of Arts in Biblical Studies from Word Outreach Biblical College and also Community Nursing MTC Coast General.





Witness N. K. Tsuma-Member

Mrs. Witness Tsuma was appointed as HSIF Board Member on 9th March 2018. Mrs. Witness is the Chairlady for Maendeleo ya Wanawake Kilifi County, the Chairlady for the disciplinary committee for Maendeleo ya Wanawake in the 47 and also the President for Interpreter in Africa representing the seventh day Adventists Churches.

Mrs. Witness is an educationist with demonstrable communication, management and coordination skills of more than 40 years' experience in management of people, resource, infrastructure and finances of different institutions. Her work has also involved managing and rehabilitating children with special needs. This includes orphans and vulnerable children infected and affected by HIV/AIDS, street children, disabled children, traumatized children. Mrs. Witness has Bachelors' degree in community Development and resource mobilization from San Juan de la Cruz University and Primary Teachers Certificate from Shanzu teacher's college and numerous certificates

	<p>of advanced training from Kenyan and international institutions.</p>
	<p>Joyce Peshu-Member</p> <p>Ms. Joyce Peshu was appointed as HSIF Board Member on 9th March 2018. Ms. Peshu is currently working Voluntary Service Overseas (VSO) an International NGO as Project Coordinator as well as a Social Accountability Process lead. She has been working 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.</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>Alio Ibrahim Adan –Chief officer Public Health</p> <p>Chief Alio Ibrahim was appointed as HSIF Board Member 2018. Chief Alio is the Chief Officer Public Health. Prior to this appointment he served as the CEC Member of Marsabit Health. He has 16 years’ professional experience in Ministry of Health. Chief Alio holds a Master in Public Health from Maseno University. Bachelor of Health System Management in Mt. Kenya University. He also holds Higher National Diploma in Public Health and Diploma in Health at Kenya Medical Training College Nairobi</p>

	<p>Dr. David Mulewa-Director Health</p> <p>Dr David Mulewa was appointed as HSIF Board Member on September 2019. Dr. David Mulewa is the County Director of Health Department. He worked in Lamu county since 2013 as Director of Health and later transferred to Kilifi on September 2019. Dr. Mulewa has 14 years' professional experience in Ministry of Health. He holds MD Physician from Vinnitsa State Medical University Ukraine.</p>
	<p>CPA Racheal Bahati- Fund Administrator</p> <p>CPA Racheal Bahati was appointed as the Fund Administrator on 13th February 2019. Racheal is a Senior Accountant at County Government of Kilifi. She has 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 is currently pursuing her MBA from The University of Nairobi.</p>

3. 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 in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Health Service Improvement Fund 2018-2022 plan are to:

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

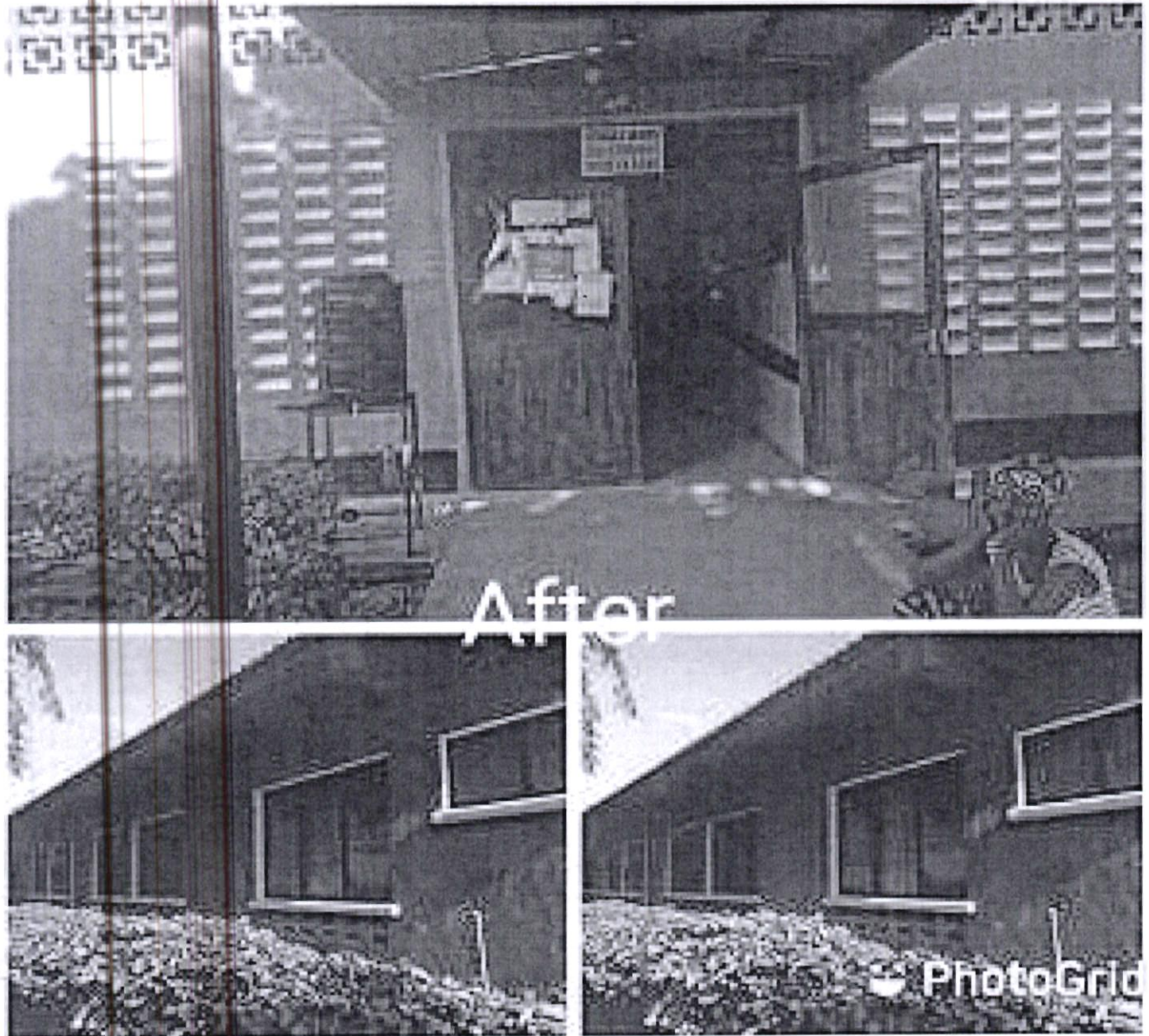
Progress on attainment of Strategic development objectives.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance (2019/2020)
Health Service Improvement Fund	To improve the quality of health care services in the hospitals	Improved health care service delivery in Hospital	Number of new Outpatients (male)	1,135,572
			Number of new Outpatients (female)	1,533,029
			Number of inpatients (admissions) Under 5	9,992
			Number of inpatient (admissions) Over 5	42,773
			Number of facility maternal deaths	44
			% of pregnant women attending at least four ANC visits	30,351 (51%)
			% of deliveries conducted by skilled attendants in health facilities	41,925 (70%)
Number of Newborns with low birth weight (LBW – less than 2,500 grams)	3,775			





Acquisition of fridges for the pharmacy and renal unit to enable proper storage of drugs at Malindi sub-county hospital.



Repairs and maintenance of the female ward at Malindi sub-county hospital

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
	<p>CPA Racheal Bahati- Fund Administrator</p> <p>CPA Racheal Bahati was appointed as the Fund Administrator on 13th February 2019. Racheal is a Senior Accountant at County Government of Kilifi. She has 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 is currently pursuing her MBA from The University of Nairobi.</p>
	<p>CPA Joan Umazi-Fund Accountant</p> <p>CPA Joan Umazi was appointed as the fund accountant on 22nd August 2019. Joan has eight years’ Professional experience as an Accountant and currently she is a Senior Accountant for County Government of Kilifi. She holds Bachelor of Commerce (Finance) from Strathmore University and also a Certified Public Accountant (CPA). Joan is currently pursuing her MBA from The University of Nairobi.</p>

5. BOARD CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the board of Members, the Health Service Improvement Fund financial statements for the year ended 30th June 2020. 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 is in the process of adopting a system which will manage the revenue collection in the all sub county hospitals and can greatly improve the collection and management of the FIF funds collected. The fund has established hospital collections through Mpesa and sourced for KCB as the bank agents to collect cash in which KCB/Mpesa collection system has greatly improved revenue and assure the fund of its long term sustainability.

Board and Management Changes

During the year there has been changes of the board members the Director of Public Health Mr. Vincent Iduri was replaced by Dr. David Mulewa who is currently the County Director Health Department.

Review of performance

Income

The fund received from county treasury revenue amounting to Ksh 100,910,677

Expenditures

The total expenditures during the period amounted to Ksh. 67,494,424 out of which the administration expenses amounted to Ksh 2,413,450, general expenses Ksh 65,080,974 and finance costs Ksh 20,978 representing 4%, 96% and 0% of total expenditures respectively.

**The Kilifi County Health Services Improvement Fund
Reports and Financial Statements
For the year ended June 30, 2020**

Future outlook

The outlook of the Fund for 2020/2021 looks brighter. The fund hopes to improve health care services delivery in the hospital and provide financial resources for medical supplies and small-scale equipping of Health Services in the county for basic operation and maintenance. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government and development partners to the realization of its mandate.

Appreciation

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

I look forward to your continued support in the future.

Signed:



Peter Mwarogo

Board Chairman

6. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Health Service Improvement Fund financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the fund for its first time financial year 2019/2020.

The fund was established on 19th September 2016. However, operationalization of the fund commenced on 31st January 2020 after approval of the budget by the HSIF board. The approved budget for the fund in FY 2019/2020 was Kshs.132,000,000. During the financial year the fund received three (3) number disbursement of KShs 36,205,685.00 in March 2020 while the second disbursement of Ksh 22,586,773.60 was received in June 2020. The third disbursement of KShs 42,111,621.00 was supposed to be received in the period under reporting but was later received on 8th July 2020.

Financial Performance

a) Revenue

In the year ended 30th June 2020, the fund had projected revenues of KShs 132,000,000 of which KShs 100,910,677 was realised. This represented 76% revenue realization during the financial year.

The table below present an analysis of revenue performance during the year;

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realization (%)
Revenue	KShs	KShs	
Transfers from County Govt.	132,000,000	100,910,677	76%
Total income	132,000,000	100,910,677	76%

b) Conclusion

FY 2019/2020 was a good year in general. Good progress was made and the momentum has been created to enable Health Service Improvement Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

Signed: _____



**CPA Racheal Bahati
Fund Administrator**

7. CORPORATE GOVERNANCE STATEMENT

THE BOARD

The Kilifi County Health Services Improvement Fund was established in 2016 by County Assembly of Kilifi through enactment of the Kilifi County Health Services Improvement Fund Act. The fund was established for the improvement of health care service delivery in the county of Kilifi.

The board has a mandate to provide oversight of the administration of the moneys 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, 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 enables 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 structures been put in place.

TERMS OF OFFICE AND TERMINATION OF MEMBERSHIP

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

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

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

BOARD MEETINGS

The board members meet quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance contract. The board members also play an oversight role over all other financial and operational issues. The board held six full board during the FY 2019/2020.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The board members are responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for

STATEMENT OF CORPORATE GOVERNANCE (Continued)

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.

Management Team

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

Auditor

The fund is audited by the Auditor-General.

8. 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 pandemic such as Covid 19.

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. 100,910,667 from the county government. The board and management of the fund are looking to its funding from the County Government while also engaging other development partners to ensure its sustainability and success.

Conclusion

We appreciate the unrelenting support from the board members, management, staff, the County Government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2020/2021.

9. REPORT OF THE BOARD CHAIRMAN

The Board submit their report together with the financial statements for the year ended June 30, 2020 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, 2020 are set out on page 26 to 57

Fund Board


The members of the Board of Fund who served during the year are shown on page 5 to 8 there were changes in the Board during the FY 2019/2020.

**The Kilifi County Health Services Improvement Fund
Reports and Financial Statements
For the year ended June 30, 2020**

Auditors

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

By Order of the Board

Signed: 

Peter Mwarogo

Board Chairman

Date: 8/12/2020

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 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, 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 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, 2020, and of the Fund's financial position as at that date. The Fund Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

**The Kilifi County Health Services Improvement Fund
Reports and Financial Statements
For the year ended June 30, 2020**

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.

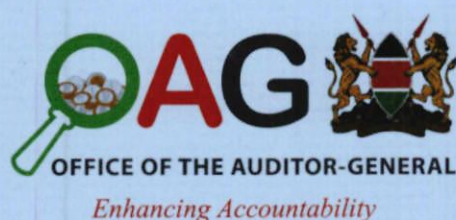
Approval of the financial statements

The Fund's financial statements were approved by the Board on 8/12/ 2020 and signed on its behalf by:



**CPA Racheal Bahati
HSIF Administrator**

REPUBLIC OF KENYA



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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON THE KILIFI COUNTY HEALTH SERVICES IMPROVEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Kilifi County Health Services Improvement Fund set out on pages 26 to 57, 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 comparative 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, Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kilifi County Health Services Improvement Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Kilifi County Health Services Improvement Fund Act, 2016 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.132,000,000 and Kshs.100,910,677 respectively resulting to an under-funding of Kshs.31,089,323 or 24% of the budget. Similarly, the Fund spent Kshs.67,494,424 against an approved budget of Kshs.132,000,000 resulting to an under-expenditure of Kshs.64,505,576 or 49% of the budget.

The underfunding and under-expenditure implies that the overall goals and the planned activities of the Fund were not achieved as planned, impacting negatively on service delivery to the public.

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 effects of 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.

Basis of Conclusion

Failure to Enact Regulations for the Fund

The Fund had not established regulations to guide in operationalization of activities relating to processing and granting exemptions and waivers, gazetting of eligible hospitals and determination of user fees and charges. This is contrary to Section 18 of the Kilifi County Health Services Improvement Fund Act, 2016 which requires that the Executive Member of Health may, in consultation with the Executive Member for Finance, make regulations generally for the governance, control and administration of the Fund for matters relating to criteria for granting exemptions and waivers, criteria for gazetting hospitals that receives monies from the Fund and user fees and charges.

The Management, therefore is in breach of the law.

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 of 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.

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 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 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:

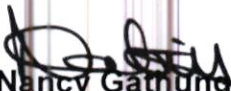
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Kilifi County Health Services Improvement 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

04 February, 2022

12. FINANCIAL STATEMENTS

12.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
 JUNE 2020

	Note	FY2019/2020 KShs	FY2018/2019 KShs
Revenue from non-exchange transactions			
Transfers from the County Government	1	100,910,677	-
Total revenue		100,910,677	-
Expenses			
Staff Costs	2	2,413,450	-
General Expenses	3	65,080,974	-
Total expenses		67,494,424	-
Surplus/(deficit) for the year		33,416,253	-

The notes set out on pages 51 to 58 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 KShs	FY2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	4	5,034,821	-
Receivables from Non exchange transactions	5	47,790,453	-
Total assets		52,825,274	-
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	6	19,409,021	-
Total liabilities		19,409,021	-
Net assets			
Accumulated surplus		33,416,253	-
Total net assets and liabilities		52,825,274	-

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 8/12/ 2020 and signed by:



Administrator of the Fund

Name: Racheal Bahati

ICPAK Member Number:21112



Fund Accountant

Name: Joan Umazi

ICPAKMemberNumber:23035

12.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE
 2020

	Accumulated surplus	Total
	KShs	KShs
Balance as at 1 July 2018	-	-
Surplus/(deficit) for the period	-	-
Balance as at 30 June 2019	-	-
Balance as at 1 July 2019	-	-
Surplus/(deficit) for the period	33,416,253	33,416,253
Balance as at 30 June 2020	33,416,253	33,416,253

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12.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY2019/2020 KShs	FY2018/2019 KShs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	1	100,910,677	-
Total Receipts		100,910,677	-
Payments			
Staff Costs	2	2,413,450	-
General Expenses	3	65,080,974	-
Total Payments		67,494,424	-
Net cash flows from operating activities		33,416,253	-
Adjusted for:			
Decrease/(Increase) in Accounts receivable:	9	(47,790,453)	-
Increase/(Decrease) in Accounts Payable:	10	19,409,021	-
		5,034,821	
Cash flows from investing activities			
		-	
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents	4	5,034,821	-
Cash and cash equivalents at 1 JULY 2019		-	-
Cash and cash equivalents at 30 JUNE 2020		5,034,821	-

12.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2020

A

	Original budget	Adjustments	Final budget	Actual on comparable	Performance difference	% utilisation
	2020	2020	2020	basis 2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfers from County Govt.	132,000,000	-	132,000,000	100,910,677	31,089,323	76
Total income	132,000,000	-	132,000,000	100,910,677	31,089,323	76
Expenses						
Staff Costs	5,083,127	-	5,083,127	2,413,450	2,669,677	47
General Expenses	126,916,873	-	126,916,873	65,080,974	61,835,899	51
Total expenditure	132,000,000	-	132,000,000	67,494,424	64,505,575	51
Surplus for the period	-	-	-	33,416,253	(33,416,252)	-

12.6 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 the year 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.

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 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 are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: 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.

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Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</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; (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>
<p>Amendments to Other IPSAS resulting from</p>	<p>Applicable: 1st January 2022:</p>

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Standard	Effective date and impact:
IPSAS 41, Financial Instruments	<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> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on</p>

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Standard	Effective date and impact:
	deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard
	IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

In the financial year ended 30th June 2020 the Kilifi County Health Services Improvement Fund had an approved budget of Kshs.132, 000,000.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. 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.

6. 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.

7. 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.

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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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. 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.

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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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. 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.

13. 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 Fund Administrator.

14. 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.

15. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. Being its first year of operation, the fund does not have comparative figures for the previous financial year

16. Events after the reporting period

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

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 (Ksh).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However there were no assumptions or estimates on the preparation of the financial statements this financial year ended 30th June 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. 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) Liquidity risk management

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Ksh	Ksh	Ksh	Ksh
At 30 June 2019				
Trade payables	19,409,021	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-

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Total	-	-	-	-
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	19,409,021	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Market risk

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

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

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

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

i. Foreign currency risk

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

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

		Other currencies	Total
	Ksh	Ksh	Ksh
At 30 June 2019			

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Financial assets	52,825,274	-	52,825,274
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	47,790,453		47,790,453
Liabilities			
Trade and other payables	19,409,021	-	19,409,021
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	2019/2020	2018/2019
	Ksh	Ksh
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	33,416,253	-
Total funds	33,416,253	-
Total borrowings	-	-
Less: cash and bank balances	(5,034,821)	-
Net debt/(excess cash and cash equivalents)	28,381,432	-
Gearing	85%	-

12.7 NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY2019/2020 KShs	FY2018/2019 KShs
Transfers from County Govt. – operations	100,910,677	-
Total	100,910,677	-

2. Staff costs

Description	FY2019/2020 KShs	FY2018/2019 KShs
Salaries and wages	2,394,650	-
Other staff costs	18,800	-
Total	2,413,450	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. General expenses

Description	FY2019/2020 KShs	FY2018/2019 KShs
Utilities, supplies and services	1,757,301	-
Communication, supplies and services	2,074,282	-
Domestic travel and subsistence	5,181,610	-
Printing, advertising and information supplies & services	70,220	-
Hospitality supplies and services	2,947,176	-
Specialised materials and services	22,261,736	-
Office and general supplies and services	5,910,862	-
Fuel Oil and Lubricants	14,393,200	-
Other operating expenses	616,478	-
Routine maintenance – vehicles and other transport equipment	3,420,697	-
Routine maintenance – other assets	4,611,948	-
Purchase of Household Furniture and Institutional Equipment	755,628	-
Purchase of Office Furniture and General Equipment	720,000	-
Purchase of Specialised Plant, Equipment and Machinery	359,835	-
Total	65,080,974	-

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4. Cash and cash equivalents

Description	Account number	FY2019/2020	FY2018/2019
		KShs	KShs
Current account			
Co-Operative Bank			
KCG KILIFI COUNTY HOSPITAL HSIF ACCOUNT	1141779148100	4,813,691	-
KCG MALINDI SUB COUNTY HOSPITAL	1141264373900	855	-
KCG MARIAKANI SUB COUNTY HOSPITAL	1141764338000	197,118	-
KCG JIBANA SUB COUNTY HOSPITAL HSIF	1141779145300	3,000	-
KCG BAMBA SUBCOUNTY HOSPITAL HSIF ACCOUNT	1141779145400	14,604	-
Sub- total		5,029,268	-
Kenya Commercial bank			-
CGK-COUNTY HEALTH MANAGEMENT HSIF	1272367622	1279	-
KCG-HSIF EXPENDITURE ACCOUNT	1270272071	4,274	-
Central Bank of Kenya			
Kilifi County Health Services Improvement Fund	1000394897	-	-
Sub- total		5,553	-
Grand total		5,034,821	-



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Receivables from exchange transactions

Description	FY2019/2020 KShs	FY2018/2019 KShs
Current Receivables		
Transfers from county Treasury	42,111,621	-
Staff Advances	2,407,047	-
Prepayments	3,271,785	-
Total Current receivables	47,790,453	-
Total receivables from exchange transactions	47,790,453	-



**Kilifi County Health Services Improvement Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Trade and other payables from exchange transactions

Description	FY2019/2020 KShs	FY2018/2019 KShs
Trade payables	19,409,021	-
Total trade and other payables	19,409,021	-

**Kilifi County Health Services Improvement Fund
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7. Cash generated from operations

	FY2019/2020 KShs	FY2018/2019 KShs
Surplus for the year before tax	33,416,253	-
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	(47,790,453)	-
Increase in payables	19,409,021	-
Net cash flow from operating activities	5,034,821	-

8. Related party balances

a) Nature of related party relationships

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

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

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