

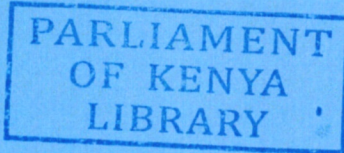
REPUBLIC OF KENYA



*Enhancing Accountability*

	PAPERS LAID
DATE	11/4/2023
TABLED BY	Negonyi Iratip
COMMITTEE	
CLERK AT THE TABLE	Mangi

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**NYERI COUNTY HEALTH  
SERVICES FUND**

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



Revised 30th June 2022



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**NYERI COUNTY HEALTH SERVICES FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022**

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

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## **1. Key Entity Information and Management**

### **a) Background information**

Nyeri County Health Services Fund is established by and derives its authority and accountability from Nyeri County Health Fund Act, 2021 on 01<sup>st</sup> July, 2021. The Fund is wholly owned by the County Government of Nyeri and is domiciled in Kenya.

The objectives of the Health Services Fund are as follows:

- (a) Improve the quality of Health Care Services
- (b) Ensure facilities have better access to financial resources
- (c) Ensure health facilities are responsive to medical and public health emergencies

### **b) Principal Activities**

The Fund Board shall-

- (a) provide oversight of the administration of the moneys drawn from the Fund;
- (b) mobilize resources for the Fund;
- (c) provide guidance to the Hospital management boards on-
  - (i) proposals on user fees where the Hospital Board seeks to propose new user fees or changes to the old fees structure;
  - (ii) approval of primary health services expenditure plans
- (d) Receive reports from the Hospital management boards for its consideration and adoption.

**c) Fund Board Members**

Ref	Name	Position
1	Anthony Maina Mithanga	Fund Board Chairman
2	Jesse Armstrong Kamau	Fund Board Vice Chairman
3	Richard Kuria Kimani	Fund Administrator/Secretary
4	Ibrahim Adan	Member
5	Dr. Nelson Mwangi Muriu	Member
6	Dr. Francis Kimani Mwihia	Member
7	John Ngugi	Member
8	Robin Muriuki Ndegwa	Member

**d) Key Management**

Ref	Name	Position
1	Ibrahim Adan	Chief Officer Health Services
2	Dr. Nelson Mwangi Muriu	Director Health Services
3	Richard Kuria Kimani	Director Finance/Fund Administrator

*Nyeri County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**e) Registered Offices**

P.O. Box 1112-10100  
Block 'A' Building/Regional Commissioners Offices  
Nyeri / Kamakwa Road  
Nyeri, KENYA

**f) Fund Contacts**

P.O. Box 1112-10100  
E-mail: .go.ke  
Website: www.nyeri.go.ke

**g) Fund Bankers**

1. Co-op Bank of Kenya  
Kenyatta Avenue  
P.O. Box 192  
Nyeri 10100  
Nyeri, Kenya
2. Kenyatta Avenue  
P.O Box  
Nyeri 10100  
Nyeri, Kenya






**h) Independent Auditors**




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

**i) Principal Legal Adviser**




The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

2. The Board of Management.

Name	Details of qualifications and experience
<p>1. Anthony Maina Mithanga</p> 	<p>Chairman of the Board. Date of Birth 1968; University Education; BSC in Computer Science. Managing Director in a Private Firm for more than 10 years.</p>
<p>2. Jesse Armstrong Kamau</p> 	<p>Vice Chairman of the Board. Date of Birth 1957; Education; 'A' Level. Banker for more than 20 years.</p>
<p>3. Ibrahim Adan</p> 	<p>Executive Member of the Board. Date of Birth 1986; University Education; BBA in Accounting and Finance and Certified Public Accountant/ Secretary of Kenya; Masters in Strategic Management. Head of Finance in NGO/ Government of Kenya for more than 15 years.</p>
<p>4. Dr. Nelson Mwangi Muriu</p> 	<p>Executive Member of the Board. Date of Birth 1980; University Education; MBChB – Masters in Epidemiology. Worked with the Government of Kenya for more than 15 years.</p>
<p>5. Dr. Francis Kimani Mwhia</p> 	<p>Independent Member of the Board. Date of Birth 1954; University Education; PhD in Public Health Management. Director of Health Services in the Government of Kenya for more than 10 years.</p>

<p>6. John Ngugi</p> 	<p>Executive Member of the Board. Date of Birth 1968; University Education; BSC in Agricultural Engineering and Certified Public Accountant of Kenya. Head of Finance in the Government of Kenya for more than 30 years.</p>
<p>7. Robinson Ndegwa</p> 	<p>Independent Member of the Board. Date of Birth 1971; University Education; B.A. of Arts in Political Science. Director of a Private Company in Kenya for more than 10 years.</p>
<p>8. Richard Kuria Kimani</p> 	<p>Executive Member of the Board. Date of Birth 1969; University Education; BCom Finance and Certified Public Accountant of Kenya. Head of Finance in the Government of Kenya for more than 30 years.</p>

3. Management Team.

Name	Details of qualifications and experience
<p>Ibrahim Adan</p> 	<p>Chief Officer for Health Services                      Date of Birth 1986;                      University Education; BBA in Accounting and Finance and Certified Public Accountant/ Secretary of Kenya; Masters in Strategic Management.                      Head of Finance in NGO/ Government of Kenya for more than 15 Years.</p>
<p>Dr. Nelson Mwangi Muriu</p> 	<p>Director Health Services                      Date of Birth 1980;                      University Education; MBChb – Masters in Epidemiology.                      Worked with the Government of Kenya for more than 15 Years.</p>
<p>Richard Kuria Kimani</p> 	<p>Director Finance and Fund Administrator                      Date of Birth 1969;                      University Education; BCom Finance and Certified Public Accountant of Kenya .                      Head of Finance in the Government of Kenya for more than 30 years.</p>

*Nyeri County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

#### 4. Fund Board Chairperson's Report

Foreword note by the Chairperson of the Health Services Fund Board

- *Changes in the Fund during the year (in terms of the board or key management team)*

One Executive Board Member Mr. Newton Wambugu exited service in October, 2021 and was replaced by Mr. Ibrahim Adan.

- *Review of the Fund's performance*

The Health Services Fund set a target of Kshs. 355 Million to Hospitals and facilities for revenue collection.

By 30<sup>th</sup> June 2022, the fund was able to raise Ksh. 346 Million translating to 97% of the targeted collection.

- *Future outlook of the Fund*

The Health Services Fund board will also ensure that at least 40% of all the Funds collected go to Medical Supplies.

The revenue generated is ploughed back to raise more revenue. Our Public Health Facilities do not go for cost recovery. The funds injected into the Hospitals are therefore realized at 30%.

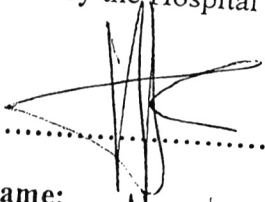
- *Any other matters deemed necessary*

The Health Services Fund was to supplement the Health Department budget for provision of better health services.

- *Conclusion*

The Health Services Fund is the way to go in the provision of Health Services. By ease of the Funds by the Hospital the Turnaround time has been reduced.

Name:

  
.....  
ANTHONY MAINA MITHANGA

Chairman.

## **5. Report of The Fund Administrator**

The County Government of Nyeri enacted the Nyeri County Health Services Fund Act in June 2021.

The Health Services Fund Board was inaugurated on 4<sup>th</sup> August, 2021.

The Health Services Fund Board held its first meeting on 12<sup>th</sup> August, 2021.

### **Establishment of the Health Services Fund**

- 1) There is hereby established a Fund to be known as the Nyeri County Health Services Fund.
- 2) The Fund shall be administered in accordance with Section 116 of the Public Finance Management Act, 2012.
- 3) There shall be paid into the fund -;
  - a) Such monies received as user fees payable, or insurance payments collectable under this Act;
  - b) Any income generated by a health facility from any project initiated by the health facility; or
  - c) Any other monies received from a lawful source.

### **Objects of the Fund**

The objects and purposes of the Fund are -

- (a) improve the quality of health care services
- (b) ensure facilities have better access to financial resources
- (c) ensure health facilities are more responsive to medical and public health emergencies
- (d) ensure an amount totalling to not less than twenty per cent of the monies are set aside for disbursement and are equitably allocated to primary health services.

The Fund Administrator is guided by the above provisions of the Nyeri County Health Services Fund act, 2021 and its subsequent regulations.

**Nyeri County Health Services Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

The Health Services Fund set a target of Kshs. 355 Million to Hospitals and facilities for revenue collection.

By 30<sup>th</sup> June 2022, the fund was able to raise ksh. 342 Million translating to 97% of the targeted collection. The Fund was not be able to hit the set target of Ksh.355 Million.

<b>HOSPITALS AND HEALTH CENTRES COLLECTION OF USER FEES AND CHARGES</b>					
<b>FOR THE FINANCIAL YEAR 2021/2022</b>					
<b>FACILITY NAME</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>TOTALS</b>
CRH	54,827,883.00	44,796,811.00	37,484,041.00	43,222,105.00	180,330,840.00
Karatina	25,794,183.00	13,323,917.00	15,362,857.00	24,429,033.00	78,909,990.00
Mukurweini	10,860,222.00	8,644,427.00	8,530,670.00	12,398,708.00	40,434,027.00
Othaya	6,346,814.00	4,475,488.00	4,599,408.00	6,719,682.00	22,141,392.00
Mt. Kenya	5,868,254.00	2,533,470.00	2,560,365.00	3,129,584.00	14,091,673.00
Karia Rehab Centre	906,000.00	541,000.00	683,000.00	622,450.00	2,752,450.00
Level 2&3- Others	-	-	1,837,116.00	1,881,395.00	3,718,511.00
<b>TOTALS</b>	<b>104,603,356.00</b>	<b>74,315,113.00</b>	<b>71,057,457.00</b>	<b>92,402,957.00</b>	<b>342,378,883.00</b>

Analysis of medical supplies budget in the last 5 years is as follows:

	2017/18		2018/2019		2019/2020				2020/2021		2021/2022	
	COUNTY BUDGET	COUNTY BUDGET	UHC PILOT	Total	COUNTY BUDGET	UHC PILOT	UHC SCALE UP	Total	COUNTY BUDGET	UHC SCALE UP	COUNTY BUDGET	UHC SCALE UP
Pharmaceuticals	124,000,000	120,017,160	105,995,921	226,013,081	69,298,621	105,995,921	62,699,586	237,994,128	107,500,000	-	100,000,000	-
Non Pharmaceuticals	72,000,000	52,000,000	48,045,251	100,045,251	32,100,000	48,045,251	28,392,265	108,537,516	69,633,623	-	70,000,000	-
Laboratory	4,000,000	14,380,000	38,100,769	52,480,769	16,281,902	38,100,769	22,477,210	76,859,881	12,000,000	-	12,000,000	-
Radiology	-	2,000,000	7,383,822	9,383,822	5,000,000	7,383,822	4,732,044	17,115,866	10,809,836	-	10,000,000	-
<b>TOTAL</b>	<b>200,000,000</b>	<b>188,397,160</b>	<b>199,525,763</b>	<b>387,922,923</b>	<b>122,680,523</b>	<b>199,525,763</b>	<b>118,301,105</b>	<b>440,507,391</b>	<b>199,943,359</b>	<b>-</b>	<b>-</b>	<b>-</b>

In the foregoing therefore, the department of Health Services requires Medical Supplies of at least Kshs. 500 million.

The Kshs 500 Million is not adequate but can run the Medical Services for one year without major stock outs. The Health Services Fund Board in its deliberations requested the Governor that the Department of Health Services be provided with a Budget of at least Kshs 300 million from the County Budget for Purchase of Medical Supplies.

The Health Services Fund board will also ensure that at least 40% of all the funds collected go to Medical Supplies.

*Nyeri County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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Richard Kimani

Name:



**Fund Administrator**

**6. Statement of Performance Against the County Fund’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 objectives of the Fund as per the Strategic Plan for 2018-2023 are as follows;

The plan has 6 core strategic directions as outlined in the KHSSP 2018-2023

- a) Eliminate communicable conditions
- b) Halt and reverse the rising burden of non-communicable conditions and mental disorders
- c) Reduce the burden of violence and injuries
- d) Provide essential healthcare
- e) Minimize exposure to health risk factors
- f) Strengthen collaboration with private and other sectors that have an impact on health.

**Progress on attainment of Development Strategic objectives**

All Development activities are carried out by the County through the Department of Health Services and the Health Services Fund deals with recurrent transfers.

Monitoring of Indicators is carried out at the Department level and the Fund Board does not monitor this.

Program	Objective	Outcome	Indicator	Performance
-	-	-	-	-

## **7. Corporate Governance Statement.**

- *The number of Board meetings held and the attendance to those meetings by member*

The Board had Six meetings in the Year, with a minimum of 5 members in attendance.

- *Succession plan,*

The Tenure of the Board expires after lapse of three years. The management team members are not affected by the tenure of Office as members appointment is to the Office holder.

- *Existence of a board charter,*

The Board does not have a Charter.

- *The process of appointment and removal of Board members,*

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

- a) is absent from three (3) consecutive meetings of the Board without written apology;
- b) violates Chapter 6 of the Constitution;
- c) voluntarily resigns from Board;
- d) dies; or

Is so incapacitated by prolonged physical or mental illness as to be unable to attend and discharge his /her duties.

- *Functions of the Board*

The Fund Board shall-

- (a) provide oversight of the administration of the moneys drawn from the Fund;
- (b) mobilize resources for the Fund;
- (c) provide guidance to the Hospital management boards on-
  - (i) proposals on user fees where the Hospital Board seeks to propose new user fees or changes to the old fees structure;
  - (ii) approval of primary health services expenditure plans

Receive reports from the Hospital management boards for its consideration and adoption.

- *Induction and training,*

The Board members were inducted on 08<sup>th</sup> to 10<sup>th</sup> March, 2021.

- Board and member performance.

The Board performance is good on average at 99%.

- Conflict of interest.

No conflict of Interest has been noted in the management and running of the Board.

- Board remuneration.

The Board Members remuneration is on sitting allowance only.

- *Ethics and conduct as well as Governance audit.*

The members conform to Chapter 6 of the Constitution on Ethics and Integrity.

#### **8. Management Discussion and Analysis (Board of Management)**

The Health Services Fund is managed by a Board of Management as per The Nyeri County Health Services Fund Act, 2021.

## **9. Environmental and Sustainability Reporting**

Nyeri County Health Services Fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Health and Economic pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

### **1. Sustainability strategy and profile -**

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

### **2. Environmental performance**

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

### **3. Employee welfare**

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

### **4. Market place practices-**

The organisation should outline its efforts to:

#### a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

#### b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

#### c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

#### d) Product stewardship- outline efforts to safeguard consumer rights and interests

### **5. Community Engagements-**

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community

## **10. Report of the Health Fund Board.**

The Health Fund Board submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

### **Principal activities**

The principal activities of the Fund are:

The Fund Board shall-

- (e) provide oversight of the administration of the moneys drawn from the Fund;
- (f) mobilize resources for the Fund;
- (g) provide guidance to the Hospital management boards on-
  - (iii) proposals on user fees where the Hospital Board seeks to propose new user fees or changes to the old fees structure;
  - (iv) approval of primary health services expenditure plans
- (h) Receive reports from the Hospital management boards for its consideration and adoption.

### **Results**

The results of the Fund for the year ended June 30, 2022 are set out on page 1

### **Health Fund Board**

The members of the Board who served during the year are shown on page vii and viii. The changes in the Board during the financial year are as shown on page X.

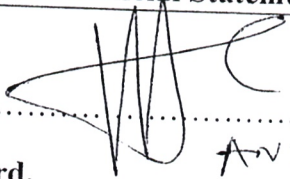
### **Auditors**

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

*Nyeri County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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ANTHONY MATHA MUTHANGA

.....  
Chair of the Board.

Date: 21/09/22

**11. Statement of Management’s Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Nyeri County Health Services Fund Act, 2021 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

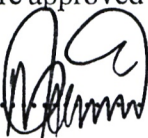
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The 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 Nyeri County Health Services Fund Act, 2021*. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2022, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

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

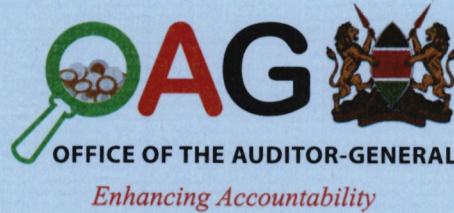
The Fund’s financial statements were approved by the Board on 05/08/ 2022 and signed on its behalf by:

.....*RICHARD KIMANI*.....

**Administrator of the County Public Fund**

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NYERI COUNTY HEALTH SERVICES FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Nyeri County Health Services Fund set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net

assets, statement of 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 Nyeri County Health Services Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Nyeri County Health Services Fund Act, 2021 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Unconfirmed Transfers to Health Facilities**

The statement of financial performance for the year ended 30 June, 2022 reflects transfers to health facilities amount of Kshs.365,951,329 as disclosed at Note 9 to the financial statements. However, the Management did not provide for audit review detailed schedules indicating how much had been transferred to each health facility during the year under review.

In the circumstances, the validity, accuracy and completeness of the transfers to health facilities amount of Kshs.365,951,329 for year under review could not be confirmed.

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

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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.

### **Basis for Conclusion**

#### **Lack of an Approved Budget**

The Management did not provide its detailed approved budget for audit review contrary to Regulation 43(2) of Public Finance Management (County Governments) Regulations, 2015 which states that County Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Executive Emergency Fund, or supplementary estimates.

In the circumstances, Management was 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

##### **Weak Internal Controls**

Review of records provided for audit indicate that, during the year under review, all the activities of the Fund were carried out by the fund administrator and there was no segregation of duties as required. This was contrary to Regulation 22(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that Accounting Officers shall, in accordance with Article 226(2) of the Constitution and Section 149(1) of the Act, be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective.

In the circumstances, adequacy and effectiveness of the Fund's internal controls during the year under review could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services unless the 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 Fund 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of appropriate basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's

ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

28 February, 2023

**Nyeri County Health Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**13. Statement of Financial Performance for the Year Ended 30th June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	128,000,000	-
Fines, Penalties and Other Levies	3	342,378,883	-
<b>Total Funds</b>		<b>470,378,883</b>	-
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	-	-
Other Income	5	-	-
		-	-
<b>Total Revenue</b>		<b>470,378,883</b>	-
<b>Expenses</b>			
Employee Costs	6	59,000	-
Use of goods and services	7	1,762,380	-
Depreciation and Amortization Expense	8	-	-
Transfers to Health Facilities	9	365,951,329	-
<b>Total Expenses</b>		<b>367,772,709</b>	-
<b>Other Gains/Losses</b>		-	-
Gain/Loss on Disposal of Assets	10	-	-
<b>Surplus/ For The Period</b>		<b>102,606,174</b>	-

The notes set out on pages 8 to 37 form an integral part of these Financial Statements.

.....  
 Name: *RICHARD KIMANI*  
 Administrator of the Fund

.....  
 Name: *S.M. KUBIRU*  
 Fund Accountant  
 ICPAK Member Number: *21439*.

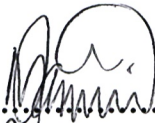
## 14. Statement of Financial Position as at 30 June 2022


	Note	2021-2022 Kshs	2020-2021 Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	11	102,606,174	-
Current Portion of Long- Term Receivables From Exchange Transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
<b>Total Current Assets</b>		<b>102,606,174</b>	<b>-</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	-	-
<b>Total Assets</b>		<b>102,606,174</b>	<b>-</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	17	-	-
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
<b>Total Liabilities</b>		<b>-</b>	<b>-</b>
<b>Net Assets</b>		<b>-</b>	<b>-</b>
Revolving Fund		-	-
Reserves		-	-
Accumulated Surplus		102,606,174	-
<b>Total Net Assets and Liabilities</b>		<b>102,606,174</b>	<b>-</b>

***Nyeri County Health Services Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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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 05/08/ 2022 and signed by:


  
.....  
**Name:** RICHARD KIMANI  
**Administrator of the Fund**

  
.....  
**Name:** S. M. KIBIRU  
**Fund Accountant**  
**ICPAK Member Number:** 21439 .

15. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022.

	Revenue Fund	Revaluation Reserve	Capital Fund	Final Total
<b>Balance As At 1 July 2020</b>	-	-	-	-
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2021</b>	-	-	-	-
<b>Balance As At 1 July 2021</b>	-	-	-	-
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	470,378,883	-
Transfers	-	-	(365,951,329)	-
Expenses	-	-	(1,821,380)	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2022</b>	-	-	<b>102,606,174</b>	-

  
 Name: RICHARD KIMANI  
 Administrator of the Fund

  
 Name: S.M. KIBIRU  
 Fund Accountant  
 ICPAK Member Number: 21439

*Nyeri County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**16. Statement Of Cash Flows For The Year Ended 30 June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government	2	128,000,000	-
Interest received		-	-
Receipts from other operating activities	3	342,378,883	-
<b>Total receipts</b>		<b>470,378,883</b>	-
<b>Payments</b>			
Employee Costs	6	59,000	-
Fund administration expenses	7	1,762,380	-
General expenses		-	-
Transfers to Health	9	365,951,329	-
<b>Total payments</b>		<b>367,772,709</b>	-
<b>Net cash flows from operating activities</b>	21	<b>102,606,174</b>	-
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at 1 July		-	-
<b>Cash and cash equivalents at 30 June</b>	11	<b>102,606,174</b>	<b>-</b>

*Nyeri County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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*(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)*



.....  
Name: *RICHARD KIMANI*  
Administrator of the Fund



.....  
Name: *S. M. KIBIRU*  
Fund Accountant  
ICPAK Member Number: *21439*.

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

	Original budget 2022	Adjustments 2022	Final budget 2022	Actual on comparable basis 2022	Performance difference 2022	% Utilization 2022
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue						
Public Contributions And Donations	-	-	-	-	-	-
Transfers From County Govt.	92,000,000	36,000,000	128,000,000	128,000,000	-	100%
Other Income	355,000,000	-	355,000,000	342,378,883	(12,621,117)	97%
<b>Total Income</b>	<b>447,000,000</b>	<b>36,000,000</b>	<b>483,000,000</b>	<b>470,378,883</b>	<b>(12,621,117)</b>	<b>97%</b>
Expenses						
Fund Administration Expenses	8,064,436	-	8,064,436	1,762,380	6,302,056	22%
Employee Costs	3,270,000	-	3,270,000	59,000	3,211,000	2%
Transfers	435,665,564	36,000,000	471,665,564	365,951,329	105,714,235	78%
<b>Total Expenditure</b>	<b>447,000,000</b>	<b>36,000,000</b>	<b>483,000,000</b>	<b>367,772,709</b>	<b>115,227,291</b>	<b>76%</b>
<b>Surplus For The Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,606,174</b>	<b>102,606,174</b>	

## Budget notes

1. The Fund Board wanted to have its own offices and Staffing which was not achieved hence not able of the to spend the Funds. Facility Managers were to be trained on Finance Management but due to COVID 19 containment measures the same was not done.
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)- The difference was due to reduction of Kshs10 Million and additional Funds
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.- No difference.

**18. Notes to the Financial Statements**

**1. General Information**

Nyeri County Health Services Fund is established by and derives its authority and accountability from Nyeri County Health Services Fund Act, 2021 . The entity is wholly owned by the County Government of Nyeri and is domiciled in Kenya. The entity’s principal activity is to receive and distribute Funds to the Health Facilities.

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

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

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

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

**(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

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

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

Standard	Effective date and impact
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

*Nyeri County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact
	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

*Nyeri County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Directive, the and impact
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<p><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 43</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p>

*Nyeri County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact
	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>State the impact of the standard to the Entity if relevant</i>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1<sup>st</sup> January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:  Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <i>State the impact of the standard to the Entity if relevant</i>

**(iii) Early adoption of standards**

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

**4. Significant Accounting Policies**

**a) Revenue recognition**

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

Transfers from other government entities

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

**ii. Revenue from 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.

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on 25<sup>th</sup>/06/2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of 82 Million on the FY 2021-2022 budget following the governing body's approval.

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

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 15 of these financial statements.

*Summary Of Significant Accounting Policies (Continued)*

**c) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

**e) 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.

***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 a 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.

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.

*Nyeri County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**f) Inventories**

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

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

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

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

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

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

**g) Provisions**

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

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

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

***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.

**h) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

**i) 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.

**j) 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.

**k) 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.

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

**l) 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.

**m) 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.

**n) 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.

**o) Comparative figures**

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

**p) Events after the reporting period**

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

**q) Ultimate and Holding Entity**

The entity is a County Public Fund established by Nyeri County Health Services Fund Act, 2021 under the Ministry of xxx. Its ultimate parent is the County Government of Devolution.

**r) Currency**

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

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

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

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

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

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

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

*(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)*

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**6. Notes To The Financial Statements**

**1. Public contributions and donations**

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**2. Transfers from County Government**

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	82,000,000	-
Development Funds Transfer	46,000,000	-
<b>Total</b>	<b>128,000,000</b>	<b>-</b>

**3. Fees and Charges**

Description	2021-2022	2020-2021
	Kshs	Kshs
Fees and Charges	342,378,883	-
Fines	-	-
<b>Total</b>	<b>342,378,883</b>	<b>-</b>

**4. Interest income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	-	-
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
<b>Total Interest Income</b>	<b>-</b>	<b>-</b>

*(Provide brief explanation for this revenue)*

**Nyeri County Health Services Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements Continued**

**5. Other income**

Description	2021-2022	2020-2021
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
<b>Total Other Income</b>	<b>-</b>	<b>-</b>

*(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).*

**6. Employee Costs**

Description	2021-2022	2020-2021
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	59,000	-
Social Security Contribution	-	-
Other <i>(Specify)</i>	-	-
<b>Total</b>	<b>59,000</b>	<b>-</b>

**7. Use of Goods and Services**

Description	2021-2022	2020-2021
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	1,733,015	-
Committee Allowances	-	-
Bank Charges	29,365	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-

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Description	2021/22	2020/21
	Kshs.	Kshs.
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Bank Charges	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other ( <i>Specify</i> )	-	-
<b>Total</b>	<b>1,762,380</b>	<b>-</b>

**8. Depreciation and Amortization Expense**

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**9. Transfers**

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Transfers to Health Facilities	365,951,329	-
Interest On Loans From Banks	-	-
<b>Total</b>	<b>365,951,329</b>	<b>-</b>

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

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Property, Plant And Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements Continued

## 11. Cash and cash equivalents

Description	2022-2023	2021-2022
Car Loan Account	-	-
County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	31,708,008	-
Current Account	70,135,611	-
Others- Cash at Hand	762,555	-
<b>Total Cash And Cash Equivalents</b>	<b>102,606,174</b>	<b>-</b>

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

Financial Institution	2022-2023	2021-2022
<b>a) Fixed Deposits Account</b>		
Kenya Commercial Bank	-	-
Equity Bank, Etc.	-	-
<b>Sub- Total</b>	<b>-</b>	<b>-</b>
<b>b) On - Call Deposits</b>		
Kenya Commercial Bank	31,708,008	-
<b>Sub- Total</b>	<b>31,708,008</b>	<b>-</b>
<b>c) Current Account</b>		
Co-op Bank	70,135,611	-
Bank B	-	-
<b>Sub- Total</b>	<b>70,135,611</b>	<b>-</b>
<b>d) Others(Specify)</b>		
Cash In Transit	-	-
Cash In Hand	762,555	-
<b>Sub- Total</b>	<b>762,555</b>	<b>-</b>
<b>Grand Total</b>	<b>102,606,174</b>	<b>-</b>

## 12. Receivables from exchange transactions

Description	2022-2023	2021-2022

*Nyeri County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**Additional disclosure on interest receivable**

Description	2021-2022	2020-2021
	KShs	KShs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

**13. Prepayments**

Description	2021-2022	2020-2021
	KShs	KShs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
<b>Total</b>	-	-

**14. Inventories**

Description	2021-2022	2020-2021
	KShs	KShs

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Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
<b>Total Inventories At The Lower Of Cost And Net Realizable Value</b>	-	-

*Nyeri County Health Services Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**15. Property, plant and equipment**

	Land and Buildings	Motor Vehicles	Particulars and Fittings	Computers and Office Equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>At 1<sup>st</sup> July 2020</b>	-	-	-	-	-
Additions					
Disposals					
Transfers/Adjustments					
<b>At 30<sup>th</sup> June 2021</b>					
<b>At 1<sup>st</sup> July 2021</b>					
Additions					
Disposals					
Transfer/Adjustments					
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
<b>Depreciation And Impairment</b>					
<b>At 1<sup>st</sup> July 2020</b>					
Depreciation					
Impairment					
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2021</b>					
Depreciation					
Disposals					
Impairment					

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	Land and Buildings	Motor Vehicles	Furniture and fittings	Computers and office equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer/Adjustment					
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
<b>Net Book Values</b>					
<b>At 30<sup>th</sup> June 2021</b>					
<b>At 30<sup>th</sup> June 2022</b>					

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

**16. Intangible assets**

Description	2021-2022 KShs	2020-2021 KShs
<b>Cost</b>		
<b>At Beginning Of The Year</b>	-	-
Additions		
<b>At End Of The Year</b>		
<b>Amortization And Impairment</b>		
<b>At Beginning Of The Year</b>	-	-
Amortization		
<b>At End Of The Year</b>		
Impairment Loss		
<b>At End Of The Year</b>		
<b>NBV</b>	-	-

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

Description	2021-2022 KShs	2020-2021 KShs
Trade Payables		
Refundable Deposits		
Accrued Expenses		
Other Payables		
<b>Total Trade And Other Payables</b>	-	-

**18. Provisions**

Description	Health provision KShs	Bonds provision KShs	Other provision KShs	Total KShs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions				
Provision Utilised				
Change Due To Discount And Time Value For Money				
Transfers From Non -Current Provisions				
<b>Balance At The End Of The Year (30.06.2022)</b>	-	-	-	-

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

**19. Borrowings**

Description	2021-2022 KSh	2020-2021 KSh
<b>Balance At Beginning of The Period</b>	-	-
External Borrowings During the Year		
Domestic Borrowings During the Year		
Repayments Of External Borrowings During the Period		
Repayments Of Domestic Borrowings During the Period		
<b>Balance At End of The Period</b>	-	-

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

Description	2021-2022 KSh	2020-2021 KSh
<b>External Borrowings</b>	-	-
Dollar Denominated Loan From 'X Organisation'		
Sterling Pound Denominated Loan From 'Y Organisation'		
Euro Denominated Loan from Z Organisation'		
<b>Domestic Borrowings</b>	-	-
Kenya Shilling Loan From KCB		
Kenya Shilling Loan from Barclays Bank		
Kenya Shilling Loan from Consolidated Bank		
Borrowings From Other Government Institutions		
<b>Total Balance at End Of The Year</b>	-	-

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

Description	2021-2022 KSh	2020-2021 KSh
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-
<b>Total</b>	-	-

*(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)*

*Nyeri County Health Services Fund*

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

**20. Employee benefit obligations**

Description	2021-2022	2020-2021	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**21. Cash generated from operations**

	2021-2022	2020-2021
	Kshs	Kshs
<b>Surplus For the Year</b>	<b>102,606,174</b>	<b>-</b>
<b>Adjusted For:</b>		
Depreciation		
Amortisation		
Gains/ Losses On Disposal Of Assets		
Interest Income		
Finance Cost		
<b>Working Capital Adjustments</b>	<b>-</b>	<b>-</b>
Increase In Inventory		
Increase In Receivables		
Increase In Payables		
<b>Net Cash Flow From Operating Activities</b>	<b>102,606,174</b>	<b>-</b>

*(The total of this statement should tie to the cash flow section on net cash flows from operating activities)*

**Other Disclosures**

**22. 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

**b) Related party transactions**

	2021-2022	2020-2021
	KSh	KSh
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

**c) Key management remuneration**

	2021-2022	2020-2021
	KSh	KSh
Board Of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	2021-2022	2020-2021
	KSh	KSh
Due From Parent Ministry	-	-
Due From County Government	-	-
<b>Total</b>	-	-

*Nyeri County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures Continued**

**e) Due to related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
<b>Total</b>	-	-

**23. Contingent assets and contingent liabilities**

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Cases against the Fund	-	-
Bank Guarantees	-	-
<b>Total</b>	-	-

*Nyeri County Health Services Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures Continued**

**24. Financial risk management**

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

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

**a) Credit risk**

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

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

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount recognised	Financial assets measured at fair value	Financial assets measured at amortised cost	Financial assets measured at cost
<b>At 30 June 2022</b>	-	-	-	-
Receivables From Exchange Transactions				
Receivables From Non-Exchange Transactions				
Bank Balances				
<b>Total</b>				
<b>At 30 June 2021</b>				
Receivables From Exchange Transactions				
Receivables From Non Exchange Transactions				
Bank Balances				
<b>Total</b>	-	-	-	-

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*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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

The entity has no significant concentration of credit risk on amounts due.

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

**b) Liquidity risk management**

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

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

	Less than 12 months	Between 12 months and 3 months	Over 3 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 June 2022</b>	-	-	-	-
Trade Payables				
Current Portion Of Borrowings				
Provisions				
Employee Benefit Obligation				
<b>Total</b>				
<b>At 30 June 2021</b>	-	-	-	-
Trade Payables				
Current Portion Of Borrowings				
Provisions				
Employee Benefit Obligation				
<b>Total</b>				

**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 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:

	Assets	Liabilities
<b>At 30 June 2021</b>	-	-
Financial Assets		
Investments		
Cash		
Debtors/ Receivables		
<b>Liabilities</b>	-	-
Trade And Other Payables		
Borrowings		
Net Foreign Currency Asset/(Liability)		

*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.*

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**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.

	Change in exchange rate	Effect on surplus/ total	Effect on equity
	KShs	KShs	KShs
<b>2022</b>	-	-	-
Euro	10%		
USD	10%		
<b>2021</b>			
Euro	10%		
USD	10%		

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2022: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2021)

**d) Capital risk management**

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

	2021/2022	2020/2021
	KSh	KSh
Revaluation reserve		
Revolving fund		
Accumulated surplus		
<b>Total funds</b>	-	-
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
<b>Gearing</b>	-	-

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**19. Progress On Follow Up Of Prior Year Auditor's Recommendations**

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

Reference No. in the External Audit Report	Issue Observed from Auditor	Management comments	Status (Resolved/Not Resolved)	Timeframe (When the issue was/needs to be resolved)
-	-	-	-	-