REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KAKAMEGA COUNTY MATERNAL CHILD HEALTH AND FAMILY PLANNING FUND

FOR THE YEAR ENDED 30 JUNE, 2019

COUNTY GOVERNMENT OF KAKAMEGA

IMARISHA AFYA YA MAMA NA MTOTO

THE KAKAMEGA COUNTY MATERNAL CHILD HEALTH AND FAMILY PLANNING FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30TH, 2019

Prepared in accordance with the Accrual Basis of Accounting M
International Public Sector Accounting Standards (

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In the circumstances, the Fund's financial statements were not prepared in accordance with the PSASB requirements.

2. Unsupported Staff Costs

The statement of financial performance reflects staff costs amount of Kshs.4,908,970 which as further disclosed in Note 3 to the financial statements comprise of staff gratuity of Kshs.432,970 and unspecified amount of Kshs.4,476,970. Further, the staff costs were not supported with list of staff and respective salaries and benefits. Management indicated that the staff costs relate to payments made by Kakamega County Executive to the Fund's Management team. However, no plausible explanation has been provided as to why the costs was charged on the Fund instead of the main operations of the County Executive.

Consequently, the accuracy, completeness and validity of the staff costs reflected in the statement of financial performance for the year ended 30 June, 2019 could not be confirmed.

3. Unsupported Expenditure

The statement of financial performance reflects general expenses of Kshs.34,437,321 as disclosed under Note 4 to the financial statements. The amount includes expenditur on fuel amount of Kshs.589,800 out of which Kshs.556,800 was not supported by a f register, detailed orders and motor vehicle work tickets.

Further, an amount of Kshs.22,294,000 included in the general expenses and in to have been incurred on community health volunteers (CHVs) was not supp payment vouchers, details of the volunteers, and the terms of engagement. Consequently, the validity and accuracy of the reported expenditure on genera during the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Institutions (ISSAIs). I am independent of Kakamega County Maternal Family Planning Fund Management in accordance with ISSAI 130 o have fulfilled other ethical responsibilities in accordance with the ISS with other ethical requirements applicable to performing audits of f Kenya. I believe that the audit evidence I have obtained is suffic provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my profes significance in the audit of the financial statements. The report in the year under review.

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REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY MATERNAL CHILD HEALTH AND FAMILY PLANNING FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kakamega County Maternal Child Health and Family Planning Fund set out on pages 15 to 33, which comprise of the statement of financial position as at 30 June, 2019, 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 Kakamega County Maternal Child Health and Family Planning Fund as at 30 June, 2019, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Kakamega County Maternal Child Health and Family Planning Fund Act, 2017.

asis for Qualified Opinion

Presentation of the Financial Statements

Public Sector Accounting Standards Board (PSASB) financial reporting format res the Fund Management to provide a list of Management Committee/Board of ees passport-size photo, name and a concise description of each member's date of key academic and professional qualifications and work experience among other However, this information was not provided in the Fund's annual report anying the financial statements. Further, other information on page 1 of the statements do not have passport-size photos and work experience of key nent team. In addition, the Chairperson's report, the report of the Management e and Statement of Management's Responsibilities were not signed.

8. 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 section116(1) of the Public Finance Management Act, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Kakamega county Maternal Child Health and Family Planning Act, 2017. The 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 30th 2019, 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 Fun d 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 Committee on ________________ 2019 and signed on its behalf by:

____

Administrator of the County Public Fund

7. REPORT OF THE MANAGEMENT COMMITTEE

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund affairs.

Principal activities

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

Results

The results of the Fund for the year ended June 30th 2019 come from the initiated and implemented activities in the financial year. During the financial year ended 30th June 2018/2019, the Fund undertook a sensitization program across the county about registration of all the unregistered mothers; unregistered mothers well turned up for the sensitization at respective venues which saw the rate of registration improve. The Fund also formulated a program redesign which would facilitate efficiency and effectiveness in registration and easy communication to all the registered mothers. Close to the closure of the financial year 2018/2019, the communication was seen to be a success since the registered mothers could get notification messages to mothers.

Trustees

The members of the Board of Trustees who served during the year are shown on page 3. There were no changes in the Board during the financial year 2018/2019.

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

Member of the management committee

Date: ________________

6. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The fund has encouraged behaviour change through sensitization of the community on access to health services through meetings held with Community health Volunteers, (CHVs), beneficiary mothers, stakeholders like, religion leaders, chiefs, women leaders among others. The health areas addressed include;

a) Family planning uptake
b) Nutrition status
c) HIV/AIDs
d) Immunization of children below 5 years

Public awareness education

National and county administrations were sensitization on the surging numbers of mothers of mothers in the Fund who do not have national identity cards and how their offices could assist. This was carried out in three regions of the county namely, the Northern region which comprises of Malava, Lugari and Likuyani sub-county, central region which comprises of Navakholo, Lurambi, Shinyalu and Ikolomani sub-counties and Southern region which comprises of Khwisero, Butere, Mumias East, Mumias West and Matungu sub-county. The activity was carried out during the month of June.

The Fund operates within the laws and regulations governing Funds as stipulated in the constitution of Kenya and the financial statements of the fund are prepared in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

Risks facing the key projects

1. **Resistance from beneficiaries and political interference**

The proposed changes in the program redesign may face resistance from the beneficiaries and the community at large. Some politicians are more likely to oppose the implementation of the proposed redesign.

2. **Inadequate commodities in health facilities**

Insufficient availability of health commodities in health facilities, e.g. vaccines, will hinder the program from achieving its objective. Mothers who come to the health facilities and lack vaccination will not be updated in the system as to have achieved a particular milestone as required by the program.

3. **Doctors' and nurses' strikes**

Strikes by the medical staff hinder the program's activities in Health facilities since the mothers cannot access health services and become beneficiaries as required by the program. This hinders the program from achieving its objectives.

A comparison between the data provided by the PW&M during the initial registration and the one collected by the CHV is automatically done by the system. Through a variance analysis, the system will classify the data as follows:

- **Low variance:** the PW&M is accepted into the programme (below 49% variance). This means that the information provided by the PW&M matches, in an acceptable proportion, the data collected by the CHV in relation to the HTM.
- **Medium variance:** If there is a grade of uncertainty (between 50% and 79% variance) about the coincidence of information provided by the PW&M, the case is assigned to a manager (i.e. the Community Administrator) to run a final interview and verify the HTM data.
- **High variance:** If there is no coincidence between the information provided by the PW&M and the one collected by the CHV (above 80% variance), the PW&M is rejected to be registered as a Fund beneficiary. Grievances can be submitted by the PW&M requesting a revision of the rejected cases.

3. **Enrolment:** Permits the registration of the accepted PW&M as Fund beneficiaries and enables the processing of the information related to the operation of the Fund (i.e. case management, payments, updates, etc.) through its operational cycle. This module also allows verifying that the information related with the identification of the PW&M, and that the mobile phone SIM Cards and M-Pesa requirements are adequate, before processing the programme payments.

4. **Case Management and Referral Mechanisms:** Permits registering and tracking the progress of the PW&M within the programme and during the pregnancy and early childhood processes, as well as following up on grievances and complaints. The programme´s Management Information System (MIS), processes all the necessary information to monitor the provision of the Fund services and benefits, including information, reports and messages intended for the different actors involved in the operation of the programme. This module registers the services attended by each PW&M and revises their compliance with the required priority services that condition the provision of the cash payments. The module facilitates sending text messages to the PW&M´s mobile phones in different moments of their participation in the Fund. For instance, PW&M will receive text messages to remind them of dates and locations of the following priority services. The case management module also facilitates the referral of PW&M to other social protection and economic empowerment initiatives, as established in this Operational Manual.

5. **Fund request and payment:** Allows for processing the payments to the beneficiary PW&M in a timely and efficient manner, requesting and making available to necessary funds, and undertaking the reconciliation process to facilitate a transparent and accountable financial management of the Fund.

System upgrade

The following key activities were conducted

ACTIVITY	SUMMARY
Meeting with system users	A meeting was held with system users (data clerks, nurses and program staff) to highlight challenges in the system used for electronic registration of mothers
ICT equipment assessment	An ICT equipment assessment was conducted to understand specifications of program infrastructure
Prototype development and testing	The design of the system was developed and modules were discussed to incorporate any adjustments that the program team wanted implemented. This was done in partnership with UNICEF and Development Pathways, the system developers
User acceptance	The system users tested all modules and gave the go- ahead for the prototype to go for pilot testing in the facilities.
Training of users	System users were trained on the system functionalities Users were further trained on the household targeting methodology tool
Pilot testing	6 facilities were selected for pilot testing. They included (i) County General Hospital, (ii) Ileho health Centre (iii) Navakholo sub county hospital (iv)Bukura rural development health centre (v) Matungu sub county hospital and (vi) Mautuma county hospital
Roll out preparation	The following activities have been done as part of the roll out preparation exercise (i) Procurement of system hardware and software (ii) Installation of system software (iii) Data migration (iv) Refresher training of system users

The following modules have been developed in the system upgrade

1. **Household registration and targeting:** Permits registering the information of potential beneficiaries. The Harmonised Targeting Mechanism (HTM) from the NFNP has been adopted and adapted to the Kakamega poverty context. The system automatically computes the Kakamega poverty scores for each of the potential beneficiary households with the information provided by the PW&M. A specific threshold has been defined for Kakamega to determine the line of poverty under which all eligible beneficiaries will be selected for community validation and possible enrolment. Those above the threshold will not be registered in the Fund but will still benefit from the provision of all preventive, promotive and curative MNCH services. The poverty scores are set to ensure that only PW&M within the set threshold can access the Fund.

2. **Community validation:** Permits to assign a CHV to the geographic area of the PW&M to verify their residence and collect the necessary targeting data, utilizing the HTM.

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year 2018/2019, the Fund managed to disburse a total of Ksh. 90,432,600.00 to the program beneficiaries, which is a good performance indicator since it is the main objective of the program. The Fund with support from UNICEF was conducting a re-design and system upgrade process. Interactive meetings with key stakeholders including His Excellency the Governor of the Kakamega County, the County Secretary, The Minister of Health (CECM), the Chief and Director of Public Health, the Chief of Medical Services, the Community Health Coordinator, the Reproductive Health Officer, Nutrition and Dietetics Officer, the Chief HIV and AIDS Officer, the nurses, CWS, and data clerks of the Kakamega County, the Fund Manager, and the Administrator, Social Policy, and Communications Officers and UNICEF Social Policy staff members.

The following were the key recommendations of the re-design

1. Review of the program process flow
2. Integration of the system upgrade function to the program process flow
3. Review of the complaints and grievances mechanisms for the program
4. Review of the payment stages to (i) 1st Antenatal Clinic in first trimester (ii) 4th Antenatal clinic (iii) skilled delivery (iv) 6 weeks child welfare clinic (v) 6 months child welfare clinic and (vi) 18 months child welfare clinic
5. Review of the total amount of cash transfer to mothers to 8,000 as follows:
   - (i) 1st Antenatal Clinic in first trimester-KES 2000
   - (ii) 4th Antenatal clinic -KES 1000
   - (iii) Skilled delivery-KES 2000
   - (iv) 6 weeks child welfare clinic- KES 1000
   - (v) 6 months child welfare clinic- KES 1000
   - (vi) 18 months child welfare clinic- KES 1000
6. Incorporation of economic empowerment component to the program
7. Inclusion of family planning and civil registration as part of the conditions to be fulfilled by beneficiaries.

4. CORPORATE GOVERNANCE STATEMENT

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

Appointment;

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

Removal from the office;

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

a) for gross misconduct,

b) violation of the constitution or any other law,

c) prolonged mental of physical infirmity,

d) on being declared bankrupt by a court of law,

e) upon death, and

f) Upon missing three consecutive meetings without lawful reasons.

Power to remove committee;

Notwithstanding the provisions of this Act or any other written law, the Governor may, if at any time it appears to him or her that the Committee has failed to carry out its functions in the interest of the County, dissolve the committee and shall in consultation with the Executive Committee constitute a caretaker Committee for a period not exceeding six months within which a new committee shall be constituted.

3. REPORT OF THE FUND ADMINISTRATOR

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

Mandate
The Fund derives its powers from The Kakamega County Maternal Child Health and Family Planning Act 2017, besides the constitution of Kenya.
Its core functions are:

a) promotion of the health of the mother and child from conception to the time the child achieves the age of eighteen months,

b) promotion of family planning,

c) creation of awareness on HIV/AIDs,

d) implementation of community health services,

e) Improving of nutrition status of mothers and children below the age of eighteen months.

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

a) Paying registered needy at the scheduled points of care,
b) paying stipends to the community health volunteers,
c) Support operations and managements of the Fund,
d) Support Family Planning activities,
e) Support HIV/AIDs prevention activities.

Operation of the fund,
The fund account operates at Kenya Commercial Bank, Kakamega branch. The total disbursements received from the county Treasury as at June 30th of the financial year 2018/2019 was KSH. 127,769,400 The total expenditure as at the end of the financial year was KSH. 129,778,891 Which was spent from the balance brought forward and the disbursements received from the county treasury during the year. The closing balance as at June 30th 2019 was KSH. 21,820,140.00

Signed: for Antoinette
MUYUKA ANTONETTE

The program with the aim of improving service delivery and efficiency has upgraded its management information system to streamline, registration and targeting of beneficiaries, validation of beneficiaries and their enrolment process. The upgraded MIS has further incorporated mechanisms to map beneficiary mothers to ensure equitable registration of mothers in the county. The program acknowledges the immense technical support received from UNICEF Kenya to be able to do the re-design and system upgrade. The program further strives to work with other key stakeholders and partners in the county to pool enough resources to improve maternal child health in Kakamega County.

Signed: ______________________________

2. CHAIRPERSON'S REPORT

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

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

In order to fully implement its mandate as stipulated by the Kakamega County Maternal Child Health and Family Planning Act 2017, the program is currently working on a re-design that will aim to integrate socio-economic improvements to beneficiary mothers. One of the key areas that the program is seeking to improve is the linkage of beneficiary mothers to other social services including social protection and social assistance programs especially the national program for people with severe disability, the cash transfer for orphans and vulnerable children and children protection programs in the county. The program will also work with other social initiatives in the county like the shelter improvement program so identify beneficiaries in the program that are likely to need assistance from such initiatives. For sustainability and e4conomic empowerment, the program is developing economic models for mothers who have exited in the program so that they will be able to empower themselves even as their children grow.

d) Registered Offices

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

e) Fund Contacts

Telephone: 05631850/31852/31853
E-mail: oparanyacare@kakamegacounty.go.ke
Website: www.kakamega.go.ke

f) Fund Bankers
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P.O Box
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g) Independent Auditors

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

h) Principal Legal Advisor

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

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

The key objective of the fund is to provide for a framework to support the Kakamega County Maternal child Heath and family Planning program; establishment and management of the Kakamega County Maternal Child Health and Family planning Fund; the administration of stipends allocated by Department of Health Services for payment of community health volunteers and for connected purposes.

b) Principal Activities

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

a) promotion of the health of the mother and child from conception to the time the child achieves the age of eighteen months,

b) promotion of family planning,

c) creation of awareness on HIV/AIDs,

d) implementation of community health services,

e) Improving of nutrition status of mothers and children below the age of eighteen months.

c) Key Management

Ref	Name	Position
1	John Imbogo	CPA (K), CS (K), B.com (Accounting) and MBA
2	Dr Beatrice Etemesi	Masters in Medicine
3	Dr Arthur Andere	B.Sc in Medicine and Surgery
4		

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

1. Failure to Provide Approved Budget

The statement of comparison of budget and actual amounts reflects revenue and expenditure budget allocations of Kshs.140,000,000 and Kshs.144,500,000 respectively, against actual revenue and actual expenditure of Kshs.127,769,400 and Kshs.39,346,291 respectively during the year under review. However, the Management did not provide evidence of approval of the budget, contrary to Section 21(1) and (3) of the Kakamega County Maternal Child Health and Family Planning Act, 2017. The law requires that the Committee shall cause to be prepared estimates of the revenue and expenditure for the year and that the annual estimates shall be approved by the Fund committee before the commencement of the financial year in which they relate and shall be submitted to the County Executive Committee member for approval and after the Executive Committee Member has approved, the Fund's Committee shall not increase any sum provided in the estimates without the consent of the County Executive Committee.

Consequently, the validity and regularity of the revenue and expenditure as reflected in the statement of financial performance for the year ended 30 June, 2019 could not be confirmed.

2. Failure to Constitute Management Committee

The Kakamega County Maternal Child Health and Family Planning Fund was established in 2017. However, there was evidence that the Fund's Management Committee had been established contrary to Section 10 and 11 of the Kakamega County Maternal Child Health and Family Planning Act, 2017 that requires a Management Committee to be constituted to be an oversight body, consider and validate applications for eligible beneficiaries, set up and maintain complaint redress mechanism at the ward level among other functions.

Consequently, the Management is in breach of the Law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 November, 2021

10. FINANCIAL STATEMENTS

a. STATEMENT OF FINANCIAL PERFORMANCEFOR THE FINANCIAL YEAR ENDED 30TH JUNE 2019

	Note	FY2018/2019 KShs
Revenue from non-exchange transactions		
Transfers from the County Government	1	127,769,400
Total revenue		**127,769,400**
Expenses		
Cash Transfer to Mothers	2	90,432,600
Staff costs	3	4,908,970
General expenses	4	34,437,321
Total expenses		**129,778,891**
Other gains/losses		
Gain/loss on disposal of assets		-
Surplus/(deficit) for the period		**(2,009,491)**

The notes set out on pages 30 to 33 form an integral part of these Financial Statements

b. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Note	FY2018/2019 KShs
Assets		
Current assets		
Cash and cash equivalents	5	21,820,140
Non-current assets		
Property, plant and equipment	6	7,183,303
Total assets		**29,003,443**
Liabilities		
Current liabilities		
Non-current liabilities		
Total liabilities		
Net assets		
Capital Fund		31,012,934
Accumulated surplus		(2,009,491)
Total net assets and liabilities		**29,003,443**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30, JUNE 2019 and signed by:

Administrator of the Fund
Name: MUYUKA ANTOINETTE

Fund Accountant
Name: SHEILA MUKANZI
ICPAK Member Number:

c. STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2019

	Capital Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2018	**31,012,934**	-	**31,012,934**
Surplus/(deficit) for the period	-	(2,009,491)	**(2,009,491)**
Funds received during the year	-	-	-
Revaluation gain	-	-	-
Reserves		-	
Balance as at 30 June 2018	**31,012,934**	**(2,009,491)**	**29,003,443**

d. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED JUNE 30TH 2019

	Note	FY2018/2019 KShs
Cash flows from operating activities		
Receipts		
Transfers from the County Government	1	127,769,400
Total Receipts		**127,769,400**
Payments		
Cash Transfer to Mothers		(90,432,600)
Staff Cost	2	(4,908,970)
General expenses	3	(34,437,32)
Depreciation		2,687,764
Total Payments		**(127,091,127)**
Net cash flows from operating activities		**678,274**
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	5	(2,105,948)
Proceeds from sale of property, plant and equipment		-
Proceeds from loan principal repayments		-
Loan disbursements paid out		-
Net cash flows used in investing activities		**(2,105,948)**
Cash flows from financing activities		
Proceeds from revolving fund receipts		-
Additional borrowings		-
Repayment of borrowings		-
Net cash flows used in financing activities		**-**
Net increase/(decrease) in cash and cash equivalents		**(1,427,675)**
Cash and cash equivalents at 1 JULY 2018	-	23,247,815
Cash and cash equivalents at 30TH JUNE 2019	-	**21,820,140**

e. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30TH 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	FY2018/2019	FY2018/2019	FY2018/2019	FY2018/2019	FY2018/2019	FY2018/2019
Revenue	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	
Transfers from County Govt.	150,000,000	-10,000,000	140,000,000	127,769,400	12,230,600	94
Total income	**150,000,000**	**-10,000,000**	**140,000,000**	**127,769,400**	**12,230,600**	94
Expenses						
Staff costs	5,000,000	-	5,000,000	4,908,970	91,030	71
General expenses	**149,500,000**	-10,000,000	139,500,000	34,437,321	105,062,679	71
Total expenditure	**154,500,000**	**-10,000,000**	**144,500,000**	**39,346,291**	**105,153,709**	71
Surplus for the period	**-4,500,000**	-	**-4,500,000**	**88,423,109**	**-92,923,109**	

f. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

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

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

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

1. **Revenue recognition**

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

Transfers from other government entities

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

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.

3. **Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on June 30th 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Property, plant and equipment

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

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

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

5. Intangible assets

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

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

6. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

7. Inventories

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

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

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

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

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

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

8. Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

9. Nature and purpose of reserves

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

10. Changes in accounting policies and estimates

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

11. Employee benefits– Retirement benefit plans

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

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

12. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on

that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

13. Borrowing costs

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

14. Related parties

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

15. Cash and cash equivalents

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

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

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

19. Currency

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

20. Significant judgments and sources of estimation uncertainty

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

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

Useful lives and residual values

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

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

Provisions

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

21. Financial risk management

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

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

a) Credit risk

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

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

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.

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

Foreign currency sensitivity analysis

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

i. **Interest rate risk**

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

Management of interest rate risk

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

Sensitivity analysis

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.

d) Capital risk management

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

	FY 2018/2019		FY 2017/2018
	KShs		KShs
Capital Fund	31,012,934.03	-	-
Accumulated surplus	(2,009,490.55)	-	-
Total net assets and liabilities	**29,003,443.48**	-	-
Total borrowings	-	-	-
Less: cash and bank balances	-	-	-
Net debt/(excess cash and cash equivalents)	-	-	-
Gearing	-	-	-

11. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Guidance

a) Use the same reference numbers as contained in the external audit report;

b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.

6. Property, plant and equipment

	FURNITURE	COMPUTERS	VEHICLE	Total
Cost	KShs	KShs	KShs	KShs
At 1st July 2018	979,525	4,847,807	1,937,788	**7,765,120**
Additions	30,000	2,075,948	-	**2,105,948**
Disposals	-	-		-
Transfer/adjustments	-	-		-
At 30th June 2019	**1,009,525**	**6,923,755**	**1,937,788**	**9,871,068**
				-
At 1st July 2018	-	-	-	-
Depreciation	126,191	2,077,127	484,447	**2,687,764**
Disposals	-	-		-
Impairment	-	-		-
Transfer/adjustment	-	-		-
At 30th June 2019	**126,191**	**2,077,127**	**484,447**	**2,687,764**
Net book values				
At 30th June 2018	**1,009,525**	**6,923,755**	**1,937,788**	**9,871,068**
At 30th June 2019	**883,334**	**4,846,629**	**1,453,341**	**7,183,303**

Motor vehicle insurance	7,574
GOS	597,871
Printing	106,100
Fuel	589,800
Other fuel	5,500
Total	**34,437,321**

5 Cash and cash equivalents

Description	FY2018/2019
	KShs
Current account	21,820,140
Total	**21,820,140**

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

		FY2018/2019
Financial institution	Account number	KShs
a) **Fixed deposits account**		
Kenya Commercial bank	1148241272	21,820,140
Equity Bank, etc		-
Sub- total		**21,820,140**
d) Others(specify)		
M Pesa		-
Sub- total		-
Grand total		**21,820,140**

g. NOTES TO THE FINANCIAL STATEMENTS

1 **Transfers from County Government**

Description	FY2018/2019 KShs
Transfers from County Govt. – operations	123,293,400
Payments by County on behalf of the program	4,476,000
Total	**127,769,400**

Cash Transfer to Mothers

Description	FY2018/2019 KShs
Beneficiary Mothers	90,432,600
Total	**90,432,600**

2 **Staff costs**

Description	FY2018/2019 KShs
Staff gratuity	432,970
	4,476,000
Total	**4,908,970**

3 **General expenses**

Description	FY2018/2019 KShs
Depreciation	2,687,764
CHVs	22,294,000
Catering	921,086
Computer maintenance	80,000
Supplies & accessories	534,445
Daily subsistence	4,801,218
Travel Cost	267,750
Purchase of uniforms	8,000
Trade show & exhibition	298,400
Bank commissions	17,800
Capacity building	146,000
Telephone	1,003,400
Motor vehicle maintenance	70,613