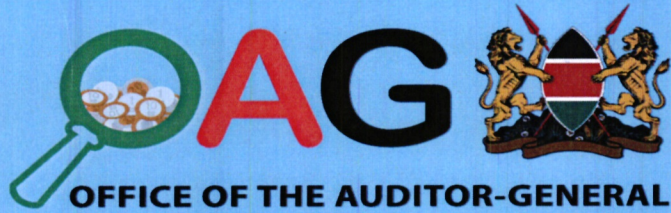


REPUBLIC OF KENYA



*Enhancing Accountability*

PAPERS LAID	
DATE	31/05/2023
TABLED BY	Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Chania

**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**THE VIHIGA COUNTY FACILITY  
IMPROVEMENT FUND**

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



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**THE COUNTY GOVERNMENT OF VIHIGA.  
THE VIHIGA COUNTY FACILITY IMPROVEMENT 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)**

***The Vihiga County Facility Improvement Fund.***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

### **a) Background information.**

The Vihiga County Facilities Improvement Fund Act 2020 came into effect on 22<sup>nd</sup> July 2020. The main objective of the fund is to ring fence funds collected as user fees in health facilities and public health services in the Department of Health across the County. Before devolution, the same used to be referred to as cost sharing and the collections banked at the district treasuries as Appropriation in Aid (AIA). At the end of each financial year, the same would be reimbursed to the collecting facilities and district public health services in form of Authority to Incur Expenditure (AIE) in full in order to defray other expenditures not met by funds received from the national treasury.

In Vihiga County, the facilities allowed to collect are: The Vihiga County Referral Hospital (VCRH), Sabatia Subcounty Hospital, Emuhaya Subcounty Hospital, Hamisi Subcounty Hospital, and Public Health services in all the five sub counties.

The funds are banked at a central account domiciled at the Co-operative Bank of Kenya, Mbale Branch. As per the provisions of the fund, **70%** is refunded back to the collecting facility or subCounty for public health services, **25%** towards the County Health Management Team (CHMT) for promotive, preventive and supervision **2%** towards emergency services and **3%** to the secretariat of the fund for running of the fund.

### **b) Principal Activities.**

The principal activity/mission/ mandate of the fund is to plough back monies collected by facilities and from public health services to defray costs that are not met by funds received from County treasury by the department.

#### **Vision**

“A healthy and nationally competent county.”

#### **Mission**

To build progressive, responsive and sustainable technologically driven evidence based and client centred health system for accelerated achievement of the highest attainable standards of health to all residents of Vihiga county.

#### **Core Values**

The fund upholds the values of:

**INTEGRITY:** We strive to be honest, fair and ethical in all dealings with our partners, health workers and the communities in which the facilities operate.

**ACCOUNTABILITY:** We will individually and collectively take full responsibility for our actions and hold ourselves accountable to each other and to all stakeholders.

**c) Board of Management**

1	Prof Inonda Mwanje	Chairman
2	Dr Mary Anyiendah	Fund Admin & CO Health
3	CPA Livingstone Imbayi	CO Finance
4	Dr Jerusa oluhano	Member
5	Ms Rebecca Esolio	Member
6	Mr Brian Mwangi	Member
7	Mr Martin Osotsi	Member
8	Mr Boaz Indeje	Member
9	Dr Vitalis Juma	Co-opted member
10	Mr Polycarp Opiyo	Co-opted member-
11	Mr Richard Rapando	Fund accountant

**d) Key Management**

1	Dr Mary Anyiendah	Fund Admin & Chief Officer Health
2	Mr Richard Rapando	Fund accountant

***The Vihiga County Facility Improvement Fund.***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**e) Registered Offices**

P.O. Box 344-50300,  
Maragoli.  
4<sup>th</sup> floor, County commissioner 's block,  
Vihiga County Headquarters,  
Mbale

**f) Fund Contacts**

Telephone: (254) 725521454.  
E-mail: [VihigaCountyfif@gmail.com](mailto:VihigaCountyfif@gmail.com)

**g) Fund Bankers**

Co-operative Bank of Kenya  
Mbale Branch,  
P. O. Box  
Maragaoli.



**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 County Attorney.  
Directorate of legal services,  
County Government of Vihiga,  
P.O. Box 344-50300,  
Maragoli, Kenya.

**2. The Board of Management.**

<b>Name</b>	<b>Details of qualifications and experience</b>
1. Prof Inonda Mwanje.	The Ag, CECM Health and chair of the board
 Mr Boaz Indeje.	Board member representing the public and with knowledge on health issues appointed by the CECM health.
2. Dr Mary Anyiendah 	The chief officer Health and fund administrator of the fund. Also the secretary to the board
3. CPA Livingstone Imbayi	The chief officer finance and member of the board.
4. Dr Jerusa Oluhano	The County pharmacist.

***The Vihiga County Facility Improvement Fund.***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

<p>5. Mr Martin Osotsi</p>	<p>Ag. County director of health.</p>
<p>6. Mr Brian Mwangi.</p> 	<p>Head of County laboratory services.</p>
<p>7. Ms Rebecca Esolio.</p> 	<p>The County nursing officer.</p>
<p>8. Dr Vitalis Juma</p> 	<p>Co-opted member and Med superintendent Vihiga County Referral Hospital representing facilities on the board.</p>
<p>9. Mr Elisham Ambale</p>	<p>Representing public health services.</p>
<p>10. Mr Polycarp Opiyo.</p>	<p>Co-opted member representing other health partners and stakeholders.</p>
<p>11. Mr Richard Rapando</p>	<p>The fund accountant.</p>



***The Vihiga County Facility Improvement Fund.***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**3. Management Team**

	<b>Details of qualifications and experience</b>
1. Dr Mary Anyiendah.	The chief officer department of health and the fund admin and accounting officer.
2. Mr Richard Rapando	The fund accountant.

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

It's my pleasure on behalf of the board of management of the Vihiga County Facility Improvement Fund to present the annual report and financial statements for the year ended 30<sup>th</sup> June 2022. The financial statements represent the financial performance of the fund over the past year.

During the year under review, there were changes in the board membership. Dr Amos Kutwa, the former CECM health and also the chair of the board left upon leaving the service of the Vihiga County executive and was replaced by I Prof Inonda Mwanje in an acting capacity.

The fund derives its funding from user fees collected from the Vihiga County Referral Hospital (VCRH), Sabatia subcounty hospital, Emuhaya subcounty hospital, Hamisi subcounty hospital and public health services across all the five sub-counties. The board encourages facilities to automate their services in order to improve on revenue collection and management. This should be geared towards availing a system that will demonstrate a trail from the point when a patient visits a facility up to the exit and for public health services, a trail on how a member of public requests for provision of services and response levels.

During the year under review, the fund collected Ksh. 52,489,595. The Vihiga County referral hospital which is the biggest collector has automated its services thus we expect further growth in the next financial year.

During the year under review, the fund expensed the funds as follows:

- 1) Disbursement to facilities – Ksh. 37,341,128 (73%)
- 2) CHMT -Ksh. (25%)
- 3) Emergency -Ksh. 580,000 (1%)
- 4) Secretariat – Ksh. (1%)

The balance as at 30<sup>th</sup> June 2022 is Ksh. 5,848,979

The outlook of the fund for financial year 2022/23 looks bright. With the concerns of health workers that used to lead to industrial strikes having been addressed, we expect seamless provision of health services without any disruptions. The board looks forward to disburse funds to facilities on time and support dispensaries and health centres that are struggling in meeting their short-term obligations.

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

**Prof Inonda Mwanje,**  
**AG. CECM HEALTH.**

***The Vihiga County Facility Improvement Fund.***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

It's my pleasure to present the Vihiga County facility improvement fund annual report and financial statements for the year ended 30<sup>th</sup> June 2022. They represent the financial performance of the fund over the past year.

During the year under review, the fund expended the funds as follows:

- 1) Disbursement to facilities – Ksh. 37,341,128 (73%)
- 2) CHMT -Ksh.13,588,400 (25%)
- 3) Emergency -Ksh. 580,000 (1%)
- 4) Secretariat – Ksh. 384,500 (1%)

The balance as at 30<sup>th</sup> June 2022 is Ksh. 5,848,979

The prescribed distribution percentages in the Act are:

- 1) Facilities (70%)
- 2) CHMT (25%)
- 3) Emergency (2%)
- 4) Secretariat (3%)

From the distribution matrix above, the board therefore put emphasis on ploughing back more to the facilities by 3% more than prescribed in the Act.

During the year under review, the fund received Ksh. 52,489,595 from the Vihiga county referral hospital, subcounty hospitals and public health services. We look forward to a non-disruptive year again that will translate to higher revenue collection.

Signed:   
**Dr Mary Anyiendah,**  
**Fund Administrator.**  
Date:..... Sign:.....

CHIEF OFFICER  
INSTITUTE OF HEALTH  
VIHIGA COUNTY  
P. O. Box 1087 50300 MARAGOLI

**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.

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

Facility improvement.	Provide for a framework to allow the health sector and health facilities retain monies received in accordance with provisions of section 109 (2)(b) read with section 116(1) of the Public Finance Management Act, 2012.	Receive and disburse monies collected as user fee at VCRH, subcounty hospitals and public health services.	Disbursements to facilities and support supervision activities by CHMT and subcounty MOHs	<b>In FY 2021/22 the fund realized a 91% increase in collection thus disbursement also went up by similar margin.</b>
Facilities management.	Provide for the appointment of hospitals and health facilities management boards	Functional hospital and health facilities management boards.	Approved budgets by the management boards whenever the facilities request for AIEs.	<b>All facilities presented requests accompanied by minutes of the board approving the requests.</b>
Capacity building.	Create incentives for hospitals and health facilities to sustainably generate resources	Support new dispensaries and health centres that have been built by the County to take	The number of members of public who are able to access health services.	<b>Members of the public from the surrounding area are able to access medical and health services.</b>

***The Vihiga County Facility Improvement Fund.***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

		services closer to the people.		
Service provision.	Provide funding for the day to day operations of hospitals and health facilities	Facilities and subcounty public services sustaining themselves in administrative and provision of medical drugs and equipment.	Drugs, equipment and stationary procured.	<b>The facilities were able to procure medical and non-medical supplies for their needs. The subcounty PHOs procured licencing stationary for use.</b>

## **7. Corporate Governance Statement**

The Vihiga County Facilities Improvement Fund Act 2020 came into effect on 22<sup>nd</sup> July 2020. The main objective of the fund is to ring fence funds collected as user fees in health facilities and public health services in the department of health across the County. Before devolution, the same used to be referred to as cost sharing and the collections banked at the district treasuries as Appropriation in Aid (AIA). At the end of each financial year, the same would be reimbursed to the collecting facilities and district public health services in form of Authority to Incur Expenditure (AIE) in full in order to defray other expenditures not met by funds received from the national treasury.

The board membership as prescribed in the Act section 5 (1) is as follows:

1. CECM of health who's also the chair
2. Chief officer medical services
3. Chief officer public health services
4. Chief officer finance
5. County director of health
6. County nursing officer
7. County pharmacist
8. County clinical officer
9. County head of laboratory services
10. Member of the public with experience in matters health appointed by the CECM
11. Fund admin who's also the secretary.

The functions of this board are:

- a) Provide overall design and oversight of the fund
- b) Consider, verify and approve funding to hospitals and health facilities
- c) Approve disbursements
- d) Ensure equitable distribution of resources to the hospitals and health facilities
- e) Review and approve disbursement or utilization of the fund
- f) Advise the CECM on the appropriate guidelines and procedures for better management of the fund
- g) Consider and approve funding for preventive and promotive health services

***The Vihiga County Facility Improvement Fund.***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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- h) Receive reports on the performance of the fund from the management committees established under this Act
- i) Develop relevant guidelines and review them as the need arises; to guide the operations and implementation of the fund
- j) Develop and facilitate sectorial linkages on the fund
- k) Monitor and evaluate programs and activities under the fund
- l) Prepare an annual report on the operations and performance of the fund to the CECM
- m) Oversee the management and administration of the fund; and
- n) Put in place necessary mechanisms for sanctions and their enforcement in case of mismanagement of funds.

The board has two functional subcommittees:

1. Finance committee
2. The quality and standards committee.

The quorum at any meeting of the board shall be five members and the board shall meet not less than four times in each year.

During the year under review, the board had four quarterly meetings. These were on:

1. 13<sup>th</sup> July 2021
2. 12<sup>th</sup> October 2021
3. 10<sup>th</sup> January 2022
4. 27<sup>th</sup> April 2022

## **8. Management Discussion and Analysis**

Two- three pages

*(Under this section, the management gives a report on the operational and financial performance of the Fund/Board during the period, entity's key projects or investments decision implemented or ongoing, Fund's compliance with statutory requirements, major risks facing the Fund, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements.)*

*The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)*

During the year under review, the fund expensed the funds as follows:

- 1) Disbursement to facilities – Ksh. 37,341,128 (73%)
- 2) CHMT -Ksh.13,588,400 (25%)
- 3) Emergency -Ksh. 580,000 (1%)
- 4) Secretariat – Ksh.384,500 (1%)

The balance as at 30<sup>th</sup> June 2022 is Ksh. 5,848,979.

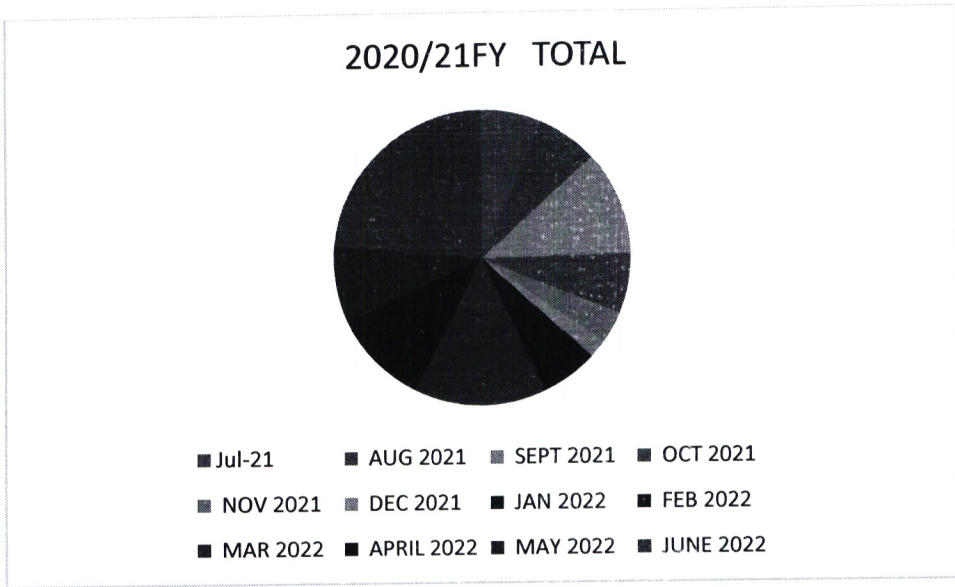
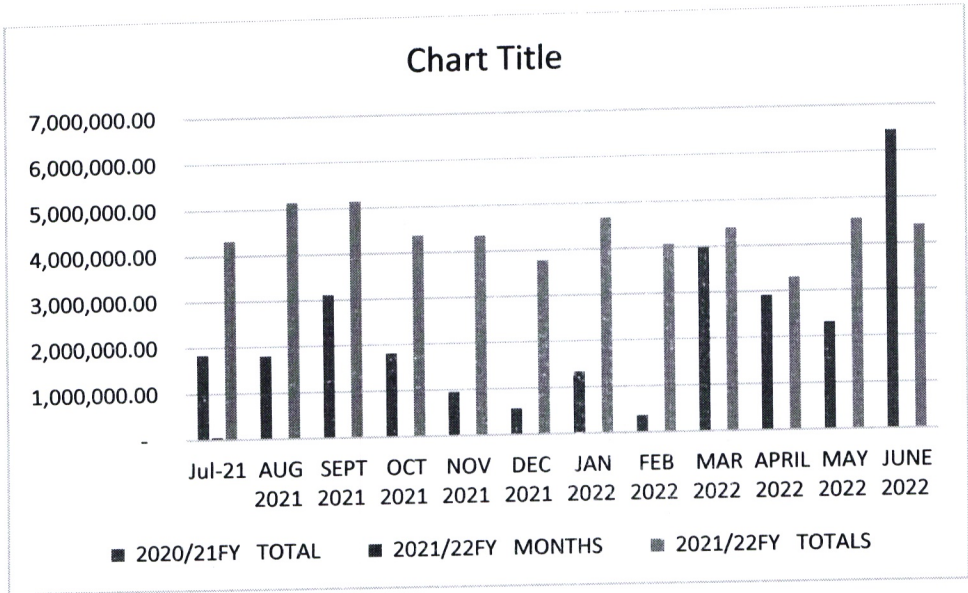
The prescribed distribution percentages in the Act are:

1. Facilities (70%)
2. CHMT (25%)
3. Emergency (2%)
4. Secretariat (3%)

From the distribution matrix above, the board therefore put emphasis on ploughing back more to the facilities by 3% more than prescribed in the Act.

During the year under review, the fund received Ksh. 52,489,595. There being no industrial strikes by the health workers expected which normally leads to disruption in the provision of health services, we look forward to a non-disruptive year again that will translate to higher revenue collection.

**The Vihiga County Facility Improvement Fund.  
Annual Report and Financial Statements for the year ended June 30, 2022**



## **9. Report of The Board of Management**

The Board of managements 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:

- a) Provide for a framework to allow the health sector and health facilities retain monies received in accordance with provisions of section 109 (2)(b) read with section 116(1) of the Public Finance Management Act, 2012.
- b) Establish a Vihiga County Facilities Improvement Fund
- c) Provide for the process of nomination and appointment of the Fund Board
- d) Provide for the appointment of hospitals and health facilities management boards
- e) Provide for a framework for performance-based financing of health services in the County in order to-
  - i) Sustainably operate, maintain, equip, rehabilitate health facilities and procure emergency medical supplies in hospitals and health facilities in the County
  - ii) Enhance participation of relevant stakeholders and host communities in the planning and management of the health facilities located in their jurisdictions
  - iii) Create incentives for hospitals and health facilities to sustainably generate resources
  - iv) Provide funding for the day to day operations of hospitals and health facilities
  - v) Provide for financing of preventive and promotional healthcare services, and
  - vi) Ensure 5% of the funds is used for preventive and promotional health care and 10% is used by the subcounty health management teams to support supervision, coaching and mentorship responsibilities for prudent management of funds and efficient quality service delivery.

### **Results**

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

### **Board of managements**

The members of the Board of Board of managements who served during the year are shown on page VI and VII. The changes in the Board during the financial year are as shown below:

***The Vihiga County Facility Improvement Fund.***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**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



.....  
**Chair of the Board/Fund Administration Committee**

**Date:** 28/1/2023

### **10. Statement of Management's Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the provisions of section 109 (2)(b) read with section 116(1) of PFM Act 2012, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

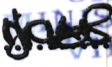
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) 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 section 109 (2)(b) read with section 116(1) of PFM Act 2012. 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 27<sup>th</sup> August 2022 and signed on its behalf by:

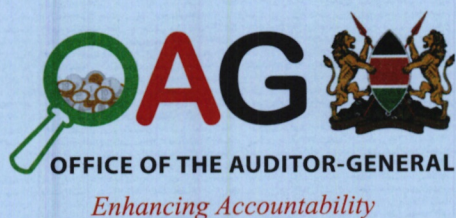
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**CHIEF OFFICER  
MINISTRY OF HEALTH  
VIHIGA COUNTY**  
P. O. Box 1084-50300 MARAGOLI

**Administrator of the County Public Fund**  
Date:.....

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON THE VIHIGA COUNTY FACILITY IMPROVEMENT 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

#### Adverse Opinion

I have audited the accompanying financial statements of The Vihiga County Facility Improvement Fund set out on pages 1 to 21, which comprise of the statement of financial

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*Report of the Auditor-General on Vihiga County Facility Improvement Fund for the year ended 30 June, 2022*

position as at 30 June 2022, and the statement of financial performance, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Vihiga County Facility Improvement Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Vihiga County Facilities Improvement Fund Act, 2020 and the Public Finance Management Act, 2012.

### **Basis for Adverse Opinion**

#### **1. Un-accounted for National Hospital Insurance Fund (NHIF) Receipts**

The statement of financial performance reflects a total revenue of Kshs.52,489,595 for the year ended 30 June, 2022. The amount excludes NHIF receipts amounting to Kshs.64,928,182 as disclosed in the Vihiga County Revenue Fund (CRF) statement of financial performance explanatory notes. Although expenditure of Kshs.51,898,778 reflected under facility improvement Fund is partly funded by NHIF receipts, the receipts from NHIF were not acknowledged as revenue in the statement of financial performance. In addition, the statement of financial performance reflects an amount of Kshs.48,930,200 as being the receipt from Vihiga County Referral Hospital and Sub-county Hospitals fees. However, the Vihiga CRF reflects an amount of Kshs.48,981,050 as having been received and transferred to the Fund, resulting to a variance of Kshs.50,850.

In the circumstances, the accuracy of the revenues disclosed in these financial statements could not be confirmed.

#### **2. Unsupported Sub-County Public Health Services Revenue**

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects receipts of Kshs.3,559,395 in respect of sub-county public health services. Further, included in the ledger balance of Kshs.3,559,395, is Kshs.672,645 in respect of miscellaneous revenue collection which could not be traced to any revenue collection point.

In the circumstances, the accuracy of the sub-county public health services revenue of Kshs.3,559,395 could not be confirmed.

### **3. Unsupported Reserves**

The statement of financial position reflects Kshs.5,258,162 in respect to reserves. Although, Management explained that the reserves related to the cash and cash equivalents brought forward from the previous year, the resources were not supported and therefore it was not possible to establish the source of the reserves.

In the circumstances, the accuracy of reserves amounting to Kshs.5,258,162 could not be confirmed.

### **4. Irregular Expenditure**

The statement of financial performance reflects disbursements amount of Kshs.50,929,528 which, as disclosed in Note 4 to the financial statements includes Kshs.13,588,400 in respect to County Health Management Team (CHMT) expenses. The amount in turn included Kshs.1,493,300 irregularly paid as detailed below:

- i. An amount of Kshs.403,200 was paid to a hotel for provision of hospitality services during a refresher training for data clerks and nurses on Management Information System (MIS) which was supposed to be funded by the Department of Health.
- ii. An imprest of Kshs.890,100 was issued to a Department of Health officer through payment Voucher No.13 who in turn paid various officers as facilitation to attend the 7 annual Devolution Conference which was held in Makueni between 22 and 26 November, 2021. It is not clear why this expenditure was charged to the Fund instead of the County Executive.
- iii. An amount of Kshs.200,000 which was paid to an officer in the Department of Health vide payment voucher No.19 as allowances to work on the audit queries for the 2020/2021 financial year was charged to the Fund instead of the County Executive.

In the circumstances, the accuracy of disbursements of Kshs.1,493,300 could not be confirmed.

### **5. Irregular Christmas Gifts for Staff**

The statement of financial performance reflects disbursements amount of Kshs.50,929,528 which, as disclosed in Note 4 to the financial statements includes Kshs.37,341,128 which was disbursed to various health facilities. This amount in turn includes Kshs.438,750 spent by Vihiga County Referral Hospital (VCRH) to purchase Christmas gifts to staff. However, this expenditure amounting to Kshs.438,750 was not budgeted for or included in the procurement plan.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Vihiga County Facilities Improvement Fund

Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of Internal Audit Function**

Review of internal controls revealed that there was no internal audit activity carried out on the Fund during the year. This was contrary to Regulation 153(1) (a) of the Public

Finance Management, Regulations, 2015 which requires internal auditors to review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities.

As a result, errors of commission or omission may have occurred during the year without detection.

## **2. Failure to Leverage on ICT in Hospitals**

It was established that enhanced revenue collection at the Vihiga Referral Hospital was occasioned by the fact that revenue collection processes were now computerized. However, revenue collection in other sub-county and other hospitals remain manual, which may lead to use of the funds at source or leakages and defalcations.

In the circumstances, failure to leverage on ICT may lead to loss of revenue.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 continue to sustain its 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 Fund's financial reporting process, reviewing the effectiveness of how 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 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 the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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**

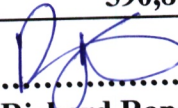
**Nairobi**  
**20 April, 2023**

**The Vihiga County Facility Improvement Fund.**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**12. Statement of Financial Performance For The Year Ended 30th June 2022.**

<b>Revenue From Exchange Transactions</b>			
Other Income:			
VCRH and SubCounty Hospitals fees	1	48,930,200	
Subcounty Public Health Services fees	2	3,559,395	
<b>Total Revenue</b>		<b>52,489,595</b>	
<b>Expenses</b>			
Use of goods and services	3	969,250	
Disbursements	4	50,929,528	
<b>Total Expenses</b>		<b>51,898,778</b>	
<b>Surplus/(Deficit) For The Period</b>		<b>590,817</b>	

CHIEF OFFICER  
 MINISTRY OF HEALTH  
 VIHIGA COUNTY  
 Name: Dr Mary Anyiendah  
 Administrator of the Fund

  
 Name: Richard Rapando  
 Fund Accountant  
 ICPAK Member Number:

**The Vihiga County Facility Improvement Fund.**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**13. Statement of Financial Position As At 30 June 2022**

<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	5,848,979	
		<b>5,848,979</b>	
<b>Total Assets</b>		<b>5,848,979</b>	
<b>Liabilities</b>			
<b>Net Assets</b>		<b>5,848,979</b>	
Reserves		5,258,162	
Accumulated Surplus		590,817	
<b>Total Net Assets and Liabilities</b>		<b>5,848,979</b>	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2022 and signed by:

CHIEF OFFICER  
 MINISTRY OF HEALTH  
 VIHIGA COUNTY  
 .....  
 Name: Dr Mary Anyiendah  
 Administrator of the Fund

.....  
 Name: Richard Rapando  
 Fund Accountant  
 ICPAK Member Number:

***The Vihiga County Facility Improvement Fund.***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**The Vihiga County Facility Improvement Fund.**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

	2021	2022	2023
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Other Income:			
VCRH and SubCounty Hospitals fees	1	48,930,200	
Subcounty Public Health Services fees	2	3,559,395	
<b>Total receipts</b>		<b>52,489,595</b>	
<b>Payments</b>			
Use of goods and services	3	969,250	
Disbursements	4	50,929,528	
		51,898,778	
<b>Net cash flows from operating activities</b>		<b>590,817</b>	
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>590,817</b>	
Cash and cash equivalents at 1 July 2021	5	5,258,162	
<b>Cash and cash equivalents at 30 June 2022</b>	5	<b>5,848,979</b>	
<b>As per Financial Position</b>		<b>5,848,979</b>	

CHIEF OFFICER  
 MINISTRY OF HEALTH  
 VIHIGA COUNTY  
 Name: Dr. Mary Anyindah  
 Administrator of the Fund

.....  
 Name: Richard Rapando  
 Fund Accountant  
 ICPAK Member Number:

*The Vihiga County Facility Improvement Fund.*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**15. Statement of Comparison of Budget and Actual Amounts for The Period**

	2021/22	2021/22	2021/22	2021/22	2021/22	
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
VCRH and subcounty hospitals Fee	36,051,642	-	36,051,642	48,930,200	-	136%
Subcounty Public health services fees	3,886,746	-	3,886,746	3,559,395	327,351	92%
<b>Total income</b>	<b>39,938,388</b>	<b>-</b>	<b>39,938,388</b>	<b>52,489,595</b>	<b>12,551,207</b>	<b>131%</b>
<b>Expenses</b>						
Use of goods and services	1,996,920	-	1,996,920	969,250	1,027,670	51%
Disbursements	37,941,469	-	37,941,469	50,929,528	-	-34%
<b>Total expenditure</b>	<b>39,938,388</b>	<b>-</b>	<b>39,938,388</b>	<b>51,898,778</b>	<b>11,960,390</b>	<b>-1%</b>
Surplus for the period	-	-	-	<b>590,817</b>		

**Budget notes.**

- I. *The increase of 36% in collection is based on the fact that there was no disruption on provision of health services which is normally occasioned by industrial strikes by nurses and doctors in our public hospitals.*
- II. *51% under expenditure on fund administration is because of less activities during the year under review. Most activities were done under the CHMT.*

**16. Notes to the Financial Statements**

**1. General Information**

The Vihiga County Facilities Improvement Fund Act 2020 came into effect on 1<sup>st</sup> July 2020. The main objective of the fund is to ring fence funds collected as user fees in health facilities and public health services in the department of health across the County. Before devolution, the same used to be referred to as cost sharing and the collections banked at the district treasuries as Appropriation In Aid (AIA). At the end of each financial year, the same would be reimbursed to the collecting facilities and district public health services in form of Authority to Incur Expenditure (AIE) in full in order to defray other expenditures not met by funds received from the national treasury.

**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**

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

**The Vihiga County Facility Improvement Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

<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> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <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>Applicable 1<sup>st</sup> January 2023</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>Applicable 1<sup>st</sup> January 2025</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</p>

***The Vihiga County Facility Improvement Fund  
Annual Report and Financial Statements for the year ended June 30, 2022***

	<p>a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><b><i>State the impact of the standard to the Entity if relevant</i></b></p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><b><i>State the impact of the standard to the Entity if relevant</i></b></p>

**(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 14<sup>th</sup> May 2020. 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 xxx 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.

**a) 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.

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

**b) 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.

**c) 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.

**d) 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.*

**e) 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.

**f) 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.

**g) 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.

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

**h) 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.

**i) 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.

**j) 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.

**k) Comparative figures**

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

**l) Events after the reporting period**

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

**m) Ultimate and Holding Entity**

The entity is a County Public Fund established by xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

**n) 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. VCRH and subcounty hospitals fees**

	VCRH	SABATIA	EMUHAYA	HAMISI	TOTAL
<b>Jul-21</b>	3,365,865	53,070	164,450	-	<b>3,583,385</b>
<b>Aug-21</b>	4,247,522	194,540	332,210	53,230	<b>4,827,502</b>
<b>Sep-21</b>	4,352,655	172,420	270,780	57,710	<b>4,853,565</b>
<b>Oct-21</b>	3,656,362	108,280	311,995	44,660	<b>4,121,297</b>
<b>Nov-21</b>	3,630,182	96,880	262,080	109,200	<b>4,098,342</b>
<b>Dec-21</b>	3,306,483	93,950	238,930	40,050	<b>3,679,413</b>
<b>Jan-22</b>	4,010,807.00	59,150.00	290,120.00	57,010.00	<b>4,417,087</b>
<b>Feb-22</b>	3,383,556	102,490	153,700	51,870	<b>3,691,616</b>
<b>Mar-22</b>	3,720,738	94,310	181,080	38,500	<b>4,034,628</b>
<b>Apr-22</b>	2,812,787.00	76,570.00	183,270.00	43,520.00	<b>3,116,147</b>
<b>May-22</b>	3,877,667.00	82,240.00	326,705.00	63,740.00	<b>4,350,352</b>
<b>Jun-22</b>	3,609,866.00	139,410.00	322,000.00	85,590.00	<b>4,156,866</b>
<b>TOTAL</b>	<b>43,974,490</b>	<b>1,273,310</b>	<b>3,037,320</b>	<b>645,080</b>	<b>48,930,200</b>

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**2. Subcounty public health services fees**

	VIHIGA PHO	LUANDA PHO	SABATIA PHO	EMUHAYA PHO	HAMISI PHO	TOTAL
<b>Jul-21</b>	32,800	38,350	58,950	492,550	120,200	742,850
<b>Aug-21</b>	28,700	54,350	121,455	71,050	34,100	309,655
<b>Sep-21</b>	92,600	51,250	86,500	31,150	25,050	286,550
<b>Oct-21</b>	23,750	47,450	60,250	22,500	99,840	253,790
<b>Nov-21</b>	82,500	8,250	50,400	54,300	43,650	239,100
<b>Dec-21</b>	8,700	20,600	34,100	12,750	18,500	94,650
<b>Jan-22</b>	59,150	94,200	27,300	48,150	27,200	256,000
<b>Feb-22</b>	81,800	100,400	20,650	113,750	63,200	379,800
<b>Mar-22</b>	121,300	87,100	36,800	24,250	89,350	358,800
<b>Apr-22</b>	28,750.00	60,000.00	14,750.00	64,000.00	23,250.00	190,750
<b>May-22</b>	41,500.00	36,000.00	36,900.00	27,750.00	62,250.00	204,400
<b>Jun-22</b>	65,000.00	68,400.00	29,550.00	10,400.00	69,700.00	243,050
<b>TOTAL</b>	<b>666,550</b>	<b>666,350</b>	<b>577,605</b>	<b>972,600</b>	<b>676,290</b>	<b>3,559,395</b>

**3. Use of goods and services**

	2021-22	2020-2021
	KES	
Committee Allowances	384,500	
Bank Charges	4,750	
Fuel and Lubricants	580,000	
<b>TOTAL</b>	<b>969,250</b>	

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**4. Disbursement.**

	2021-2022	2020-2021
	<b>KES</b>	
FACILITIES	37,341,128	
CHMT	13,588,400	
<b>TOTAL</b>	<b>50,929,528</b>	

**5. Cash and cash equivalent**

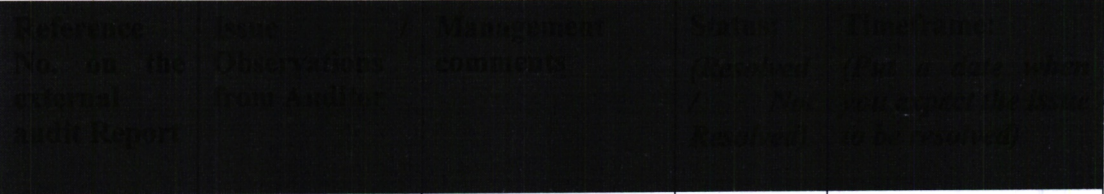
	2021-2022	2020-2021
	<b>KES</b>	<b>KES</b>
FIF Account - 01141471202700	5,848,979	5,258,162
<b>Total Cash And Cash Equivalents</b>	<b>5,848,979</b>	<b>5,258,162</b>

***The Vihiga County Facility Improvement Fund***  
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**17. 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.




*The Vihiga County Facility Improvement Fund*  
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ANNEXURE

**VIHIGA COUNTY FACILITY IMPROVEMENT FUND**  
**TRIAL BALANCE 2021/22FY**

<b>INCOME</b>	<b>DR</b>	<b>CR</b>
	<b>KES</b>	<b>KES</b>
VIHIGA COUNTY REFERRAL HOSPITAL		43,974,490
SABATIA SUBCOUNTY HOSPITAL		1,273,310
EMUHAYA SUBCOUNTY HOSPITAL		3,037,320
HAMISI SUBCOUNTY HOSPITAL		645,080
VIHIGA PHO		666,550
SABATIA PHO		577,605
LUANDA PHO		666,350
EMUHAYA PHO		972,600
HAMISI PHO		676,290
Fund Balance brought forward		5,258,162
<b>EXPENSES</b>		
<b>Use of goods and Services</b>		
Committee Allowances	384,500	
Bank Charges	4,750	
Fuel and Lubricants	580,000	
<b>Disbursements to: -</b>		
Facilities	37,341,128	
CHMT	13,588,400	
<b>Cash and cash equivalent</b>		
FIF Account - 01141471202700	5,848,979	
	57,747,757	57,747,757