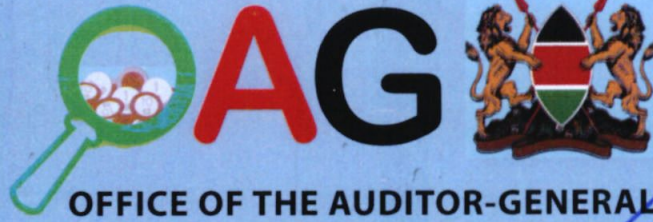


REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

OF

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COMMITTEE
CLERK AT THE TABLE Angeli

THE AUDITOR-GENERAL

ON

**VIHIGA COUNTY FACILITY
IMPROVEMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2024**



VIHIGA COUNTY FACILITY IMPROVEMENT FUND.
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024.(AMENDED)

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



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

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Vihiga County Facility Improvement Fund
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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
VCRH	Vihiga County Referral Hospital
MOH	Medical Officer of Health
NHIF	National Hospital Insurance Fund
SCH	Sub county Hospital
AIA	Appropriation in Aid
AIE	Authority to Incur Expenditure
CECM	County Executive Committee Member
CHMT	County Health Management Team
SPA	Special Purpose Account
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
FS	Financial statements

b) Glossary of Terms

Fiduciary Management The key management personnel who had financial responsibility

VCRH	Vihiga County Referral Hospital
MOH	Medical Officer of Health
NHIF	National Hospital Insurance Fund
SCH	Sub county Hospital
AIA	Appropriation in Aid
AIE	Authority to Incur Expenditure
CECM	County Executive Committee Member
CHMT	County Health Management Team
SPA	Special Purpose Account
CBK	Central Bank of Kenya
CPA	Certified Public Accountant



2. Key Entity Information and Management

a) Background information.

The Vihiga County Facilities Improvement Fund Act 2020 came into effect on 22nd 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 quarter, 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, Emusire Sub county 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 sub County for public health services, **25%** towards the County Health Management Team (CHMT) for pro motive, 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.



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

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

Ref	Name	Position
1	Julius Maruja Kaboen	Chairman
2	Dr Mary Anyiendah	Chief officer Health
3	CPA James Atemba	CO Finance
4	Dr Jerusa oluhano	Member
5	Ms Rebecca Esolio	Member
6	Mr Brian Mwangi	Member
7	Mr Martin Osotsi	Member
9	Dr Benjamin Induswe	Member
10	DR Victor Zimbulu	Co-opted member
11	Mr Polycarp Opiyo	Co-opted member
12	Mr Luke Agoi	Fund administrator
13	CPA. Duke Agalomba	Fund Accountant

d) Key Management

Ref	Name	Position
1	Dr Mary Anyiendah	Chief Officer Health
2	Mr Luke Agoi	Fund Administrator
3	CPA Duke Agalomba	Fund accountant



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

e) Registered Offices

P.O. Box 344-50300,
Maragoli.
4th floor, County Commissioner's Block,
Vihiga County Headquarters,
Mbale

f) Fund Contacts

Telephone: (254) 725707213.
E-mail: 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.


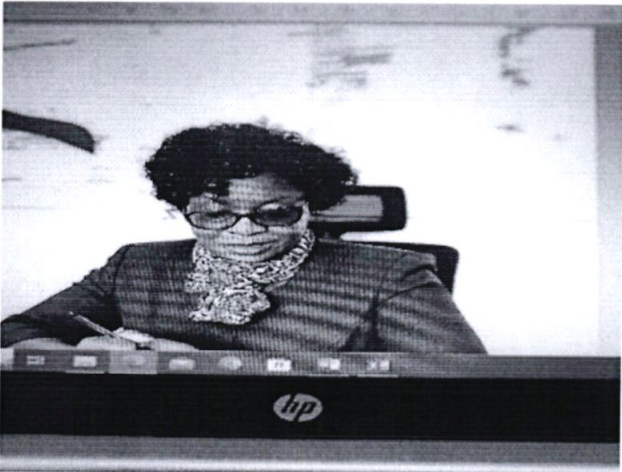

j) County Attorney

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



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

The Board of Management.

Name	Details of qualifications and experience
<p>1. Mr Julius Maruja</p> 	<p><u>Hon Julius Maruja-CECM Health Services</u></p> <p>Hon Julius is the current County Executive Committee Member responsible for the department of Health Services. He holds a Bachelor’s degree in Law and Post graduate degree from Kenya school of Law. He is an advocate of High court of Kenya a job that he has practised for over ten years.</p> <p>He is happily married man with children and his hobbies include travelling and Reading Law journals.</p>
<p>2. Dr Mary Anyiendah</p> 	<p>Dr. Mary Susan Anyiendah is the Current Chief Officer Department of Health, apposition she has served since 2017 to date.</p> <p>She obtained her fist Degree at Masinde Muliro University in the year 2000. She later joined Agaghakan University of Darussalam in the year 2012 where she perused her Master’s Degree in Education.</p> <p>In the year 2016 she enrolled for the PHD course at the university of Nairobi and graduated in the yeah 2020 in Education and Communication Technology.</p>
<p>3. CPA James Atemba</p> 	<p>CPA James Atemba is the current Chief Officer Finance and Economic Planning at County Government of Vihiga apposition he has held since 2022 Prior to which CPA James had served as accountant at Investment Growth Sacco between 2010-2015.</p> <p>He is a holder of Bachelors Degree in Business Administration-Accounting option (2009) at maseno University.</p> <p>Master’s Degree in Business Administration-Finance option at JKUAT(2014)</p>



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

4. Dr Jerusa Oluhano



A Pharmacist by training with 12 years of experience in healthcare service delivery. Currently she is the County Pharmacist and also Head of the Health Products and Technologies Unit in Vihiga County Kenya. She is a member of the Vihiga County Health Management Committee. Previously she worked as the head of Pharmacy department at the Vihiga County Referral Hospital. She has particular interest in quality health care management, health products supply chain management as well as research in health. She has worked as a researcher in several studies in various capacities and a published author. She holds a Master of Science in Public Health (University of Suffolk), a Bachelor of Pharmacy degree (University of Nairobi) and several certificates including Leadership Development Programme (Compassion International); Basic Field Epidemiology (Ministry of Health); Strategic Leadership Governance and Management in Health care (Strathmore University) among others.

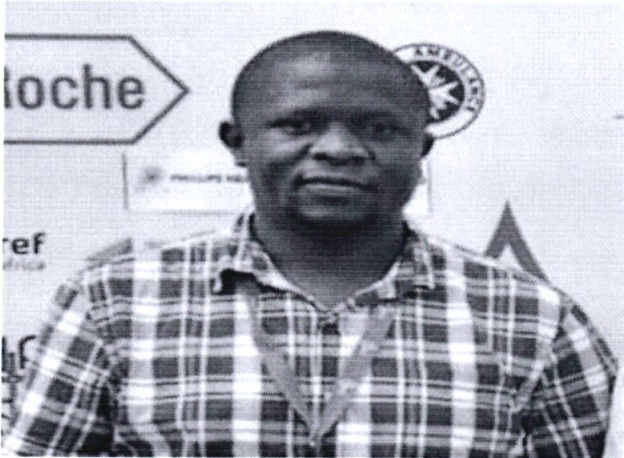

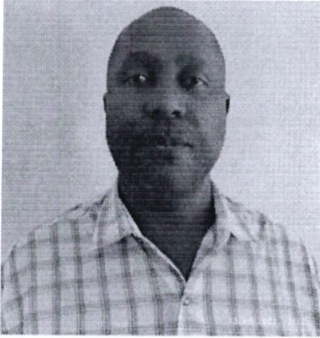
5. Mr Martin Osotsi



He is currently working for the County Government of Vihiga as the Deputy County Director of Health in the Department of Health Services. He Has served as an Acting County Director of Health and Chief Officer respectively during the transition period. He boasts of expertise in developing and executing strategic plans to improve public health outcomes. He is extensively knowledgeable in public health policies and regulations. He has demonstrable ability in building strong relationship with development partners, government agencies and stakeholders. He is committed to promoting health equity, addressing health disparities through innovative and evidence based approaches and confident of being a significant value addition to any team at any position assigned.



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

<p>6. Mr Brian Mwangi.</p> 	<p>Experience :</p> <ol style="list-style-type: none"> 1. VCG-2021 to date County medical Laboratory coordinator 2. Ampath plus program Laboratory officer Period: 2015 to 2020 3. KEMRI/CDC Research assistant Period: 2011 to 2015 4. Kendu mission Hospital Laboratory technologist Period: 2009-2010 <p>Qualifications:</p> <ol style="list-style-type: none"> 1. Msc in Epidemiology and Biostatistics-2018 2. Bsc. Medical Laboratory Sciences-2013 3. Diploma in medical laboratory sciences-2008
<p>7. Ms Rebecca Esolio.</p> 	<p>Bachelor of Science in Nursing from Masinde Mulilo university of science and Technology, Higher Diploma in Epidemiology with 20 years of experience</p>
<p>8. Mr Solomon Omutoko</p> 	<p>Mph public health, Bsc. Environmental Health, Advanced dip public Health, Dip. Environmental health, Cert. Public health. Served various capacities Cpho 1 1/2 years, depko 2years, Scpho 8years, constituency AIDs Coordinator with NACC 14years among others. 33 years work experience.</p>
<p>9.</p>	



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

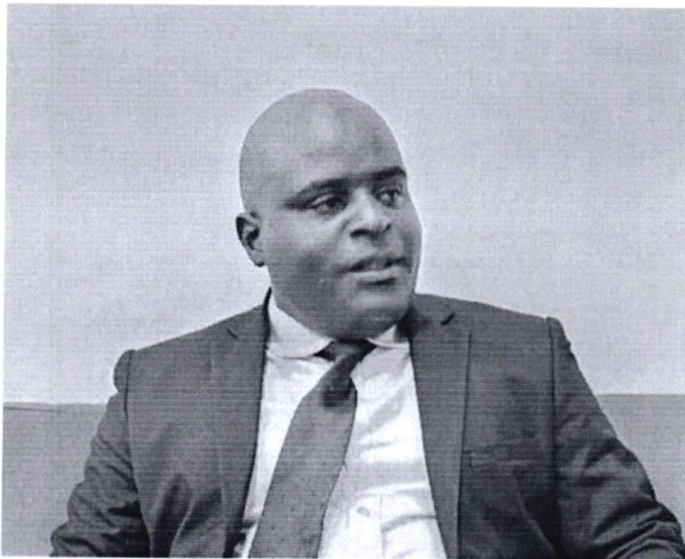
9. Mr Polycarp Opiyo.



Mr Polycarp Opiyo is the current Deputy director health services. He is a holder of MSc. HRM (2018) Maseno Univesity .Bachelor of Arts Public Administration.(2002)University of Nairobi.

Other courses he has undertaken include Senior Management Course at Kenya School of government Nairobi, The Health systems Management -NIPH in Japan among others.

10. Mr Luke Agoi





Mr. Luka Musiega Agoi the Current Fund Administrator. Born on 24th December 1985 in Kidundu Village in Central Maragoli ward, Vihiga Sub County. He attended Sigalagala Technical College in 2015 where he attain Diploma in Banking & Finance and Certified Credit Professional.part1 He Later joined Jomo Kenyatta University of Agriculture & Technology for Bachelor of Commerce - Finance option in 2018. currently University of Nairobi for MBA (ongoing master's in business administration -Finance option)

He worked as Clerk at Kenyatta University, later joined County Government Of Vihiga.



3. Management Team

Name	Details of qualifications and experience
<p>1. Dr Mary Anyiendah.</p> 	<p>Dr. Mary Susan Anyiendah is the Current Chief Officer Department of Health, apposition she has served since 2017 to date.</p> <p>She obtained her fist Degree at Masinde Muliro University in the year 2000. She later joined Agaghakan University of Darussalam in the year 2012 where she perused her Master’s Degree in Education.</p> <p>In the year 2016 she enrolled for the PHD course at the university of Nairobi and graduated in the yeah 2020 in Education and Communication Technology.</p>
<p>2. Mr Luke Agoi</p> 	<p>Mr. Luka Musiega Agoi the Current Fund Administrator. Born on 24th December 1985 in Kidundu Village in Central Maragoli ward, Vihiga Sub County. He attended Sigalagala Technical College in 2015 where he attains Diploma in Banking & Finance and Certified Credit Professional.part1 He Later joined Jomo Kenyatta University of Agriculture & Technology for Bachelor of Commerce -Finance option in 2018. currently University of Nairobi for MBA (ongoing master’s in business administration -Finance option)</p> <p>He worked as Accounts Clerk at Kenyatta University, later joined County Government Of Vihiga.</p>



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

4. Board/Fund Chairperson's Report

It's my pleasure on behalf of the Board of Vihiga County Facility Improvement Fund to present Annual Reports and Financial Statements for the year ended 30th June 2024. They represent the Financial Performance of the Fund for the past year.

In the year under review there were changes in the management of the Fund where the former chairperson of the fund Dr Nicholas Mwandihhi moved to the Department of Public Service paving way for the current Chair of the Board Mr Julius Maruja.

The Fund derive its funding from the User Fees, NIHIF reimbursements NHIF capitation, Linda Mama ,other health insurance schemes and Grand's from National Government various Health Facilities In the County. It also gets funding from public health services across the five Sub counties.

During the year under review, the fund was able to collect **ksh 171,070,905** compared to **Ksh 145,320,140** that was realise in the previous Financial year ended 30th June 2023 .

Summary of the collections are as follows;

1. Cash Collections -Facilities Ksh 62,073,911
2. Public Health Services-Ksh 4,161.372
3. NHIF-Ksh 104,466,122
4. Research Ksh.369,500.

The total Expenditure for the period under review was **Ksh 175,857,239**

The Balance as at 30th June 2024 was **Ksh 2,098,986.**

From 1st July 2024 the will transit to the Facilities improvement Financing Act 2023 which will improve the operations and Financing of the Facilities in the Health sector.

Mr. Julius Maruja
CECM HEALTH.



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

5. Report of the Fund Administrator.

It's my pleasure on behalf of the Board of Vihiga County Facility Improvement Fund to present Annual Reports and Financial Statements for the year ended 30th June 2024. They represent the Financial Performance of the Fund for the past year.

As per the Reporting templates from the PSASB, the Fund is required to report its financial statements based on Accrual accounting basis.

The Fund derive its funding from the User Fees, NIHIF reimbursements NHIF capitation, Linda Mama ,other health insurance schemes and Grand's from National Government various Health Facilities In the County. It also gets funding from public health services across the five Sub counties.

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The Balance as at 30th June 2024 was **Ksh 2,098,986.**

From 1st July 2024 the Fund will transit to the Facilities improvement Financing Act 2023 which will improve greatly the operations and Financing of the Facilities in the Health sector. The management of the Fund intends to roll out the operations of the Fund through the IFMIS and plans are already underway to open the SPA accounts at CBK.

Signed: _____

Luka Agoi

Fund Administrator -Vihiga County Facility Improvement Fund.



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

6. Statement of Performance against the County Fund's Predetermined Objectives

Program	Objective	Outcome	Indicator	Performance
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, sub county hospitals and public health services.	Disbursements to facilities and support supervision activities by CHMT and sub county M OHs	
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.	All facilities presented requests accompanied by minutes of the board approving the requests.
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 services closer to the people.	The number of members of public who are able to access health services.	Members of the public from the surrounding area are able to access medical and health services.
Service provision.	Provide funding for the day to day operations of hospitals and health facilities	Facilities and sub county public services sustaining themselves in administrative and provision of medical drugs and equipment.	Drugs, equipment and stationary procured.	The facilities were able to procure medical and non-medical supplies for their needs. The sub county PHOs procured licencing stationary for use.



7. Corporate Governance Statement

The Vihiga County Facility Improvement Fund Act 2020 came into effect on 22nd July 2020. The main objectives 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 expenditure 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 utilisation of the fund
- f) Advise the CECM on the appropriate guidelines and procedures for better management of the fund



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

- g) Consider and approve funding for preventive and primitive health services
- 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 sub-committees:

Finance committee

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 meetings. These were on:

- 10th August 2023
- 4th December 2023
- 14 February 2024
- 14th March 2024



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

8. Management Discussion and Analysis

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

- Disbarments to facilities Kshs 154,016,140(85%)
- CHMT Kshs **20,335,685.00** (12%)
- Administrative expenses Kshs **986,114.00(0.56%)**
- Emergency (fuel and lubricant) **Kshs 449,800(0.17%)**
- The balance as at 30th June 2024 is Kshs **2,098,986.00**

The prescribed distribution percentages in the Act are:

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

From the distribution matrix above, the board therefore put emphasis on ploughing back more to the facilities by 16.85% more than prescribed in the Act.

During the year under review, the fund received Kshs **171,070,905**



Chair of the Board/Fund Administration Committee



9. 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 Vihiga County Assembly 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, 2024. 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 Vihiga Facility Improve Fund 2020. 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, 2024, 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. OR

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 4th November, 2024_ and signed on its behalf by:

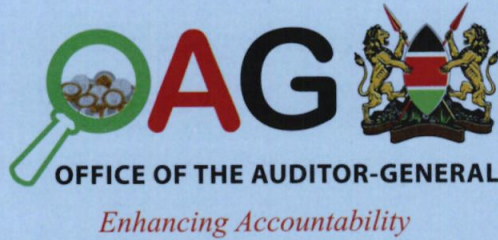
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Administrator of the County Public Fund



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 VIHIGA COUNTY FACILITY IMPROVEMENT FUND OR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Vihiga County Facility Improvement Fund set out on pages 1 to 19, which comprise of the statement of financial

position as at 30 June, 2024 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 matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Vihiga County Facility Improvement Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with [International Financial Reporting Standards/International Public Sector Accounting Standards (Accrual Basis) and comply with the Vihiga County Facility Improvement Fund Act, 2020 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported NHIF Receipts

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects NHIF receipts of Kshs.104,466,122 relating to Facility Improvement Fund. No supporting documents were provided to show the details of the hospitals that contributed to the NHIF receipts. The only hospital that prepared financial statements in the year was Vihiga Referral Hospital, which received an amount of Kshs.76,114,922 and was expected to remit Kshs.19,028,731, which is 25% of the NHIF receipt.

In the circumstances, the accuracy and completeness of the NHIF Receipts of Kshs.104,466,122 could not be confirmed.

2. Unsupported Subcounty Hospitals Revenue Collections

The statement of financial performance reflects revenue of Kshs.62,073,911 collected during the year under review from Vihiga County Referral Hospital and five (5) Sub County hospitals, out of which amount of Kshs.6,038,848 relating to revenue from Sabatia Kshs.664,188, Emuhaya Kshs.3,857,048, Hamisi Kshs.1,283,253 and amount of Kshs.234,360 from Emusire Hospital was not supported by daily collection sheets, weekly and monthly reconciliations.

In the circumstances, the accuracy and completeness of the reported Subcounty Hospital revenue of Kshs.62,073,911 could not be confirmed.

3. Unsupported Prior Year Adjustment

The statement of financial position reflects an amount of Kshs.6,885,320 in respect of fund balance brought forward from the previous year, which differs with the certified opening balance of Kshs.5,848,979, resulting to unreconciled variance of Kshs.1,036,341. The adjustment was not supported a prior year adjustment Note.

In the circumstances, the accuracy of the brought forward balance of Kshs.6,885,320 could not be confirmed.

4. Incompleteness of the Notes to the Financial Statements

The Notes to the financial statements are incomplete as Note 8 and 9 to the financial statements is not included in these financial statements

In the circumstances, the completeness of the disclosures in these financial statements could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual on comparable basis of Kshs.193,607,989 and Kshs.171,070,905 respectively resulting to an underfunding of Kshs.22,537,084 or 11% of the budget. Similarly, The Fund spent a total of Kshs.175,857,239 against an approved budget of Kshs.193,607,989 resulting to an under expenditure of Kshs.17,750,750 or 9% of the budget. The underfunding and underperformance affected the planned activities of the county and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal controls, Risk management and governance. However, the Management had not resolved the issues as at 30 June, 2024.

Other Information

Conclusion

Management is responsible for the Other Information set out on page iii to xvi which comprise of Key Entity Information and Management, The Board of Management,

Management Team Fund Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis and Statement of Fund Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect(s) of the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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 Appoint Special Groups in the Board of Management

The statement of financial performance reflects use of goods and services amount of Kshs.23,293,655 as disclosed in Note 5 to the financial statement. The amount includes committee allowances of Kshs.601,335. However, the details of members representing the special interest group (people with disability and youth or women) was not provided for audit review. This was contrary to Section 18 of Part IV of the Vihiga County Facilities Improvement Fund Act, 2020 on which requires Sub County Hospital Management Board to Include two people to represent special interest group.

In the circumstances, Management is in breach of the law.

Non-compliance with FIF Hospital Management Boards Regulations

The statement of financial performance reflects use of goods and services amount of Kshs.23,293,655 as disclosed in Note 5 to the financial statement. This amount includes committee allowances expenditure of Kshs.601,353. Supporting documents provided for audit review revealed management did not provide details of members representing the special interest group (people with disability and youth or women). This was contrary to Vihiga County Facility Improvement Fund Act, 2020 Section 18.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect(s) of the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and 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 controls, 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 the Management and Board of Management

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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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

comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 December, 2024

Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

11. Statement of Financial Performance for the Year Ended 30th June 2024.

	Not e	2023-24	2022/23
		KShs	KShs
Revenue from facilities/subcounty public health services			
VCRH and subcounty hospitals	1	62,073,911	140,228,154
Subcounty public health services	2	4,161,372	2,746,726
RESEARCH	3	369,500	1,300,250
NHIF	4	104,466,122	-
Total revenues		171,070,905	144,275,130
Expenses			
Use of Goods	5	21,841,099	369,630
Disbursement to facilities	6	154,016,140	118,456,934
Total expenses		175,857,239	118,826,564
Accumulated Surplus/Deficits		(4,786,333.98)	25,448,566

.....
 Name: Luka Agoi
 Administrator of the Fund

.....
 Name: Duke Agalomba
 Fund Accountant
 ICPAK Member Number: 30023

.....
 Name: Dr. Mary Susan Anyiendah
 Chief Officer –Health Services

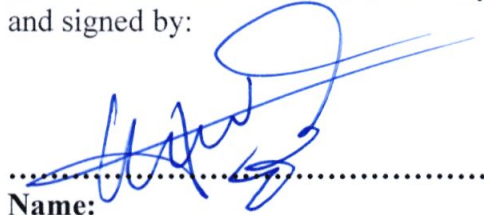


Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

12. Statement of Financial Position As at 30 June 2024.

	Note	2023-2024	2022-2023
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	7	2,098,986	8,137,876
Total Current Assets		2,098,986	8,137,876
Net Asset		2,098,986	8,137,876
Fund Balance B/F	9	8,137,876	5,848,979
Accumulated Surplus/Deficits		(4,786,333.98)	25,448,566
Prior year adjustments	8	(1,252,556)	-
Total Net Assets and Liabilities		2,098,986	31,297,545

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 4th November, 2024 and signed by:



Name:

Administrator of the Fund



Name:

Fund Accountant

ICPAK Member Number:30023



Name: **Dr. Mary Susan Anyiendah**

Chief Officer –Health Services

Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

13. Statement of Changes in Net Assets for the year ended 30th June 2024

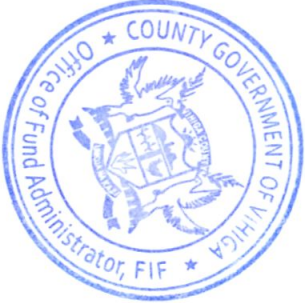
	Revolving Fund	Revaluati	Accumulated surplus	Total
		on Reserve		
		Kshs	Kshs	Kshs
Balance As At 1 July 2021			5,258,162	5,258,162
Funds Received During the Year			52,489,595	52,489,595
Transfers(Disbursements, Fund Admin Expenses & CHMT Expenses)			51,898,778	51,898,778
Balance As At 30 June 2022			5,848,979	5,848,979
Balance As At 1st July 2022			5,848,979	5,848,979
Funds Received during the year			144,275,130	144,275,130
Transfers(Disbursements, Funds Admin Expenses & CHMT Expenses)			118,826,564	118,826,564
Revaluation Gain			-	-
Balance As At 30th June 2023			6,885,320	6,885,320
Balance As At 1 July 2023			6,885,320	6,885,320
Funds Received During the Year			171,070,905	171,070,905
Transfers			175,857,239	175,857,239



1

Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

Revaluation Gain			-	-
Balance As At 30 June 2024			2,098,986	2,098,986



Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

14. Statement of Cash Flows for The Year Ended 30 June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
VCRH and subcounty hospitals	1	62,073,911	117,068,485
Subcounty public health services	2	4,161,372	2,746,726
Research	3	369,500	1,300,250
NHIF RECEIPTS	4	104,466,122	
Total receipts		171,070,905	121,115,461
Payments			
USE OF GOODS	5	21,841,099	369,630
Disbursement to facilities	6	154,016,140	118,456,934
TOTAL PAYMENTS		175,857,239	118,826,564
Net cash flows from operating activities		- 4,786,334	2,288,897
Cash flows from investing activities			
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash Equivalents		(4,786,334)	2,288,897
Cash and cash equivalents at 1 July 2023	7	8,137,876	5,848,979
Prior year Adjustements	8	(1,252,556)	
Cash and cash equivalents at 30 June 2024		2,098,986	8,137,876
As Per Net Assets		2,098,986	



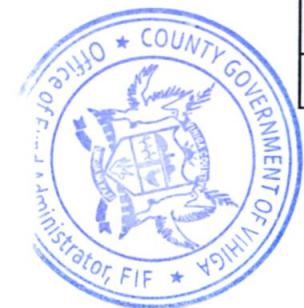
Vihiga County Facility Improvement Fund
Annual Report and Financial Statements for the year ended June 30, 2024.

(PSASB has prescribed the direct method of cash flow eparation/ presentation for all entities under the IPSAS accrual basis of ac15. Statement Of Comparison Of Budget And Actual Amounts For The Period 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2023-24	2023-24	2023-24	2023-24	2023-24	2023-24
Revenue	KShs	KShs	KShs	KShs	KShs	
User fee from referral and subcounty hospitals	180,794,725	-	181,294,725	166,540,033	14,754,692	92%
Research/Donations	500,000	-	500,000	369,500	130,500	74%
Public health services	11,813,264	-	11,813,264	4,161,372	7,651,892	35%
Total income	193,107,989	-	193,607,989	171,070,905	22,537,084	89%
Expenses						
Use of Goods	9,655,400	-	9,655,400	21,841,099	- 12,185,699	226%
Disbursement to facilities	183,452,590	-	183,452,590	154,016,140	29,436,450	84%
Total expenditure	193,107,990	-	193,107,990	175,857,239	17,250,751	91%
Bank bal as at 30 th June 2022	-	-	-	2,098,986	31,297,545	-

Budget notes

1. There was a general drop in the revenue collection on hospital fees and sub counties public health services fees that was as result of perennial industrial strikes by health service providers under the year of review



16. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Vihiga County Facility Improve Fund entity is established by and derives its authority and accountability from Vihiga County Facility Improve Fund Act 2020. The entity is wholly owned by Vihiga County Government and is domiciled in Kenya. The entity's principal activity is to collect and disburse funds to the User health facilities.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

There were no new and amended standards issued in the financial year.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows 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><i>IPSAS 43 will not be applicable this fund however the Hospitals under this fund will be applicable</i></p>
IPSAS 44: Non- Current	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p>



Assets Held for Sale and Discontinued Operations	<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><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 45- Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 46 Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 47- Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared</p>



	<p>to provide guidance to entities that provide transfers on accounting for such transfers. <i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. <i>State the expected impact of the standard to the Entity if relevant</i></p>

(i) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*



2. Summary of 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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2023/2024 was approved by the County Assembly on 30th June 2023. 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.



Summary of Significant Accounting Policies (Continued)

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 v of these financial statements.

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.

a) 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.

b) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.



Summary of Significant Accounting Policies (Continued)

c) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.



Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) .



Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

d) 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.

e) 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.

f) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.



Summary of Significant Accounting Policies (Continued)

g) 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.

h) Nature and purpose of reserves

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

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

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

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



Summary of Significant Accounting Policies (Continued)

k) Foreign currency transactions

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

l) Borrowing costs

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

m) Related parties

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

n) Cash and cash equivalents

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

o) Comparative figures

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



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 Notes

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.



6. Notes To The Financial Statements Continued

1. Sub county hospitals collections

NOTE 1.SUBCOUNTY HOSPITAL COLLECTIONS			
NO	FACILITY	2023/2024	2022/2023
1	VCRH	56,035,062	45,810,351
2	SABATIA	664,188	893,618
3	EMUHAYA	3,857,048	4,446,851
4	HAMISI	1,283,253	788,395
5	EMUSIRE	234,360	-
	TOTALS	62,073,911	51,939,215

2. Sub county Public Health Collections

NOTE 2:SUB COUNTY PUBLIC HEALTH COLLECTIONS.			
NO	SUBCOUNTY	2023/2024	2022/2023
6	VIHIGA PHO	1,266,097	814,087
7	SABATIA PHO	677,843	569,728
8	EMUHAYA PHO	570,759	373,788
9	LUANDA PHO	676,559	488,546
10	HAMISI PHO	970,115	500,576
	TOTAL	4,161,372.0	2,746,725

3. Research

NOTE 3 : RESEARCH			
NO	FACILITY	2023/2024	2022/2023
1	MICHIGAN UNIVERSITY	369,500	1,300,249
		369,500	1,300,249

4. NHIF Receipts

NOTE 4: NHIF RECEIPTS			
NO	FACILITY	2023/2024	2022/2023
1	VCRH	80,615,725	73,356,344
2	SABATIA	1,517,424	1,436,810
3	EMUHAYA	10,064,327	7,961,260
4	HAMISI	4,738,838	5,534,525
5	EMUSIRE	1,924,751	-
	OTHER FACILITIES	5,605,057	-
	TOTALS	104,466,122	88,288,939

These are receipts from NHIF to various facilities for the services rendered. They include maternity services, outpatient, inpatient etc.



Notes to the Financial Statements Continued

5. Use of goods

NOTE 5: USE OF GOODS		
	2023/2024	2022/2023
COMMITTEE ALLOWANCES	601,335	252,500
BANK CHARGES	9,779	12,130
Fuel and Lubricants	449,800	105,000
CATERING	75,000	-
RESEARCH	369,500	1,300,250
CHMT	20,335,685	12,555,780
TOTAL	21,841,099	14,225,660

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified. Disclose write backs if any or recoveries from write offs).

6. Disbursements

NOTE 6: DISBURSEMENT TO FACILITIES		
	2023/2024	2022/2023
CASH	49,550,018	40,141,884
NHIF	104,466,122	65,129,270
TOTAL	154,016,140	105,271,154

7. Cash and cash equivalents

NOTE 7 CASH AND CASH EQUIVALENT		
	2023/2024	2022/2023
FIF Account-01141471202700	2,098,986	8,137,876

NOTE 8: PRIOR YEAR ADJUSTMENT			
	2022/2023	Adjustment	2022/2023
Bank Account	8,137,876	-	1,252,556
Add Accounts receivable	-		
Less Accounts Payables	-		
TOTALS	8,137,876	-	1,252,556
			6,885,320

Kshs 1,252,556 relates to Co-operative bank balance swept to the FIF SPA account resulting to reduction in the fund Balance brought forward.



NOTE 9: FUND BALANCE BROUGHT FORWARD		
	2023/2024	2022/2023
Bank Account	8,137,876	5,848,979
Add Accounts receivable	-	
Less Accounts Payables	-	
TOTALS	8,137,876	5,848,979



17. Annexes

Annex I: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Receivables from NHIF	The statement of financial performance and as disclosed in Note 1 to the financial statements reflects an amount of Kshs.140,228,154 relating to revenue from Vihiga County Referral Hospital (VCRH) and Sub-county Hospital fees. However, documents provided for audit indicate an amount of Kshs.117,068,485 was received during the year while an amount of Kshs.23,159,669 is still outstanding from NHIF. No record was provided to show how the amounts would be recovered	The management response to Auditor's observations to the above subject matter is as follows .The outstanding claims as at the time of audit was Kshs. 23,159,669. This is a continuous process and NHIF honours the claims on priority basis based on the completeness of the documentation. The process of raising claims is done electronically. The biggest part of the unpaid claims is under the Linda Mama Program. The facility management raised the claims (schedule attached) but unfortunately NHIF has not honoured the claims and no reasons are given for the delay thus hugely impacting on service delivery.	Partly resolved	



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	from NHIF. In the circumstances, the recoverability of the disclosed amount could not be confirmed.			
2. Unsupported Donations	The statement of financial performance further reflects an amount of Kshs.1,300,250 from donations. However, no supporting details were provided for audit review in support of the donations. In the circumstances, the accuracy, completeness and the source of the funds could not be confirmed.	The management response to Auditor's observations to the above subject matter is as follows. The county health team under the leadership of the county pharmacist Dr. Jerusa Oluhano wrote proposals to various institutions seeking for donations/assistance to undertake research on malaria in the counties of Vihiga and Kisumu. One such entity that they sort assistance from and responded was Michigan university from USA who gave them 1,000 US dollars in the period under review. The proposal and agreement of what the funds were to carter for are hereby provided for your review.	Resolved	
3. Unsupport	The statement of financial	The management response to Auditor's		



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
ed Use of Goods and Services	performance further reflects an amount of Kshs.369,630 relating to use of goods and services, which, as disclosed in Note 3 to the financial statements includes committee allowances of Kshs.252,500, bank charges of Kshs.12,130 and fuel and lubricants of Kshs.105,000. However, these expenditures were not supported with documentary evidence. In the circumstances, the completeness and accuracy of use of goods and services could not be confirmed.	observations to the above subject matter is as follows .The members of the board are entitled to an allowance whenever they meet. This allowance is meant to carter for their reimbursement and also for other incidental expenses like stationary and soft drinks/snacks during the meetings. Minutes and payment schedules hereby attached for your review. The bank charges were reconciling items during monthly bank reconciliations as payments in the bank not reflected in the cash book. Payment vouchers for the same are hereby attached for your review. The payment vouchers for fuel of Kshs. 75,000 and Kshs. 30,000 are hereby too attached for your review.	Resolved	
4.Unsupported Disbursements	The statements of financial performance reflect an amount of Kshs.118,456,934 relating to disbursement to	The management response to Auditor's observations to the above subject matter is as follows: The supporting documents for the disbursements of	Resolved	



*Vihiga county facility improvement fund
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>health facilities. However, no schedule was provided to show how the amounts were distributed to various facilities and programmes including the basis of distribution. In addition, an amount of Kshs.12,555,780 and Kshs.630,000, both disbursed to County Health Management Team (CHMT) and for research were not supported with any documentary evidence to support the basis of disbursements. In the circumstances, the completeness and accuracy of the disbursements could not be confirmed.</p>	<p>funds are available for audit verification.</p>		
Other Matter	The statement of	The management		



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Budgetary Control and Performance	<p>comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.50,602,719 and Kshs.121,115,461 respectively, resulting in receipts under-budgeting of Kshs.70,512,742 or 239% of the budget. Similarly, the fund spent an amount of Kshs.105,636,509 against an approved budget of Kshs.50,602,719 resulting in expenditure under-budgeting of Kshs.55,033,790 or 209% of the budget. The under-budgeting clearly explains the budget process may be weak.</p>	<p>response to Auditor's observations to the above subject matter is as follows. As indicated in the submitted financial statements on the variance between the budget and actual collections, the management by then had not mapped all the facilities that had existing contracts with NHIF for purposes of coming up with an informed forecast on the expected receipts. In the previous budgets since onset of devolution, these funds have always been omitted as part of own source revenue/AIA. This has since been captured and it now forms part of the target revenue collection.</p>	Work in progress	



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</p> <p>Conclusion</p> <p>Basis for Conclusion</p> <p>1. Failure to Leverage on ICT in Hospitals</p>	<p>The Fund indicated that enhanced revenue collection at the Vihiga Referral Hospital was occasioned by the fact that revenue collection processes are 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.</p> <p>In the circumstances, failure to leverage on ICT may lead to loss of revenue.</p>	<p>The management response to Auditor's observations to the above subject matter is as follows .The county has since sourced for an automated revenue collection and management system that will integrate all revenue streams and entities. The remaining subcounty hospital i.e. Emuhaya, Sabatia. Hamisi and Emusire are to be integrated by may 2024 as per our engagement with the vendor as per the attached schedule of implementation of system activities.</p>	Resolved	

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.



Vihiga county facility improvement fund
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- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Fund responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Fund Manager/Accounting Officer (Vihiga County Facility Improvement Fund)

Date...4th November/2024.



ANNEXURE 2

UNPAID NHIF CLAIMS

HOSPITAL	AMOUNT
VCRH	36,792,450
EMUHAYA	6,130,536
HAMISI	2,487,075
EMUSIRE	1,032,615
SABATIA	-
TOTAL	46,442,676



ANNEXURE 3
VIHIGA COUNTY FACILITY IMPROVEMENT FUND
TRIAL BALANCE FY 2023/2024

	DR	CR
INCOME		
VCRH		56,035,062
SABATIA		664,188
EMUHAYA		3,857,048
HAMISI		1,283,253
EMUSIRE		234,360
VIHIGA PHO		1,266,097
SABATIA PHO		677,843
EMUHAYA PHO		570,759
LUANDA PHO		676,559
HAMISI PHO		970,115
RESEARCH-MICHIGAN UNIVERSITY		369,500
NHIF RECEIPTS		
VCRH		80,615,725
EMUHAYA		10,064,327
SABATIA		1,517,424
EMUSIRE		1,924,751
HAMISI		4,738,838
OTHER FACILITIES		5,605,057
FUND BALANCE BROUGHT FORWARD		6,885,320
USE OF GOODS		
COMMITTEE ALLOWANCES	601,335	
BANK CHARGES	9,779	
FUEL AND LUBRICANT	449,800	
CATERING	75,000	
CHMT	20,335,685	
RESEARCH	369,500	
DISBURSEMENT		
FACILITIES-CASH	49,550,018	
FACILITIES - NHIF	104,466,122	
RECEIVABLES(NHIF)		
Cash and cash equivalent	2,098,986	
	177,956,225	177,956,225



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