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# REPORT

OF

**THE AUDITOR-GENERAL**

ON

**KISII COUNTY TEACHING AND  
REFERRAL HOSPITAL FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

Tabled by: Senate Minority Whip  
Date: 4<sup>th</sup> November 2021  
Committee:  
Clerk at the table: Karara Mulyane



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**KISII COUNTY TEACHING AND REFERRAL HOSPITAL FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**

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

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**Kisii County Teaching and Referral Hospital Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Kisii County Teaching and Referral Hospital Fund was established by and derives its authority and accountability from Kisii County Teaching and Referral Hospital Act, 2014 on 2<sup>nd</sup> May. The Fund is wholly owned by the County Government of and is Kisii and is domiciled in Kenya.

The fund's objective is to provide financial resources for medical supplies, rehabilitation and medical equipment for the hospital;

The Fund's principal activity is to provide money for medical supplies, equipping of the hospital and improving the quality of health care services.

The fund consists of;

1. Monies received as user charges;
2. Income generated from the proceeds of services rendered;

**b) Principal Activities**

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

1. To provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the hospital;
2. Support capacity building in the management of the hospital;
3. Support and empower rural communities to take charge of improving their own health
4. To give decision making autonomy to the hospital management committees, to plan and manage the resources within their control;
5. To improve the quality of health care services in the hospital

**c) Board of Trustees/Fund Administration Committee**

Sl. No.	Name	Position
1	Prof. Isaac Kibwage	Chairman
2	Amb. Japhet R. Getugi	Member
3	Jamil Shamji	Member
4	Ms. Everlyn Bosire	Member
5	Mrs. Elsie Mbera	Member
6	Dr. enock O. Ondari	Secretary

**d) Key Management**

Sl. No.	Name	Position
1	Dr. enock O. Ondari	Chief Executive Officer
2	Mr. Elijah Ombati Makone	Assistant Director - Accounts
3	Mr. Alfayo Ogamba	Assistant Director - Procurement

**Kisii County Teaching and Referral Hospital Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**e) Registered Offices**

P.O. Box 92-40200  
Kisii –Hospital Road  
Kisii, KENYA

**f) Fund Contacts**

Telephone: (254) 734749322  
E-mail: [info@ktrh.go.ke](mailto:info@ktrh.go.ke)  
Website: [www.ktrh.or.ke](http://www.ktrh.or.ke)

**g) Fund Bankers**

Kenya Commercial Bank  
Kisii branch  
1101996315

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

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

**ii County Teaching and Referral Hospital Fund**  
**Accounts and Financial Statements**  
**for the year ended June 30, 2019**

**2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)**

Name	Details of qualifications and experience
1. Prof. Isaac Kibwage	<p>Date of Birth: August 1954</p> <p><b>EDUCATION</b>            1969-72. Nduru Secondary School (EACE)            1973-4. Kisii High School (EAACE)            1975-9 Bachelor of Pharmacy, University of Nairobi            1982-5. Doctor of Pharmaceutical Sciences (Pharmaceutical Chemistry), Katholieke Universiteit Leuven, Belgium.</p> <p><b>WORK EXPERIENCE</b>            Principal, College of Health Sciences, UoN. (May 2007 to date)</p> <p>Independent            Chairman of Board</p>
2. Amb. Japhet R. Getugi	<p>Date of Birth: 17th April 1952</p> <p><b>EDUCATION</b>            1968 - 71 Cardinal Otunga High School            'O' Level Kenya Certificate of Education (K.C.E)            1972 - 73 Cardinal Otunga High School            'A' Level Kenya Certificate of Advanced School Certificate (K.A.C.E)            1980 - 83 University of Delhi India B.A (H) Political Science Degree            1985 Passed in one sitting the Administrative Officers Examination, Directorate of Personnel Management (DPM) Nairobi.            1995 - 97 M.A Degree in International Studies, Institute of Diplomacy and International Studies (IDIS) University of Nairobi.</p> <p><b>WORK EXPERIENCE</b>            2009-to-date, Director of Finance and Administration, Centre for Policy Analysis (CEPA) Nairobi.</p> <p>Independent            Chairman Finance Committee</p>
3. Jamaludin Shamji	<p><b>EDUCATION</b>            B.A. (Honors) in Business Administration, <b>Washington State University, U.S.A</b>            Courses leading to degree of M.B.A. (Business), <b>Drexel</b></p>

**Kisii County Teaching and Referral Hospital Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

	<p>University, U.S.A.</p> <p><b>WORK EXPERIENCE</b></p> <p>1987-Present Director &amp; Shareholder, A. Jiwa Shamji Limited – Kisii</p> <p>Independent</p> <p>Chairman Risk and Audit Committee</p>
4. Mrs. Elsie Mbera	<p>Date of Birth: January 1976</p> <p><b>EDUCATIONAL BACKGROUND</b></p> <p>Daystar University (2012 – 2014)</p> <p>MA (Corporate Communications) - presently doing the thesis</p> <p><b>University of Nairobi (2001 – 2003)</b></p> <p>B.A. Sociology &amp; Communication - 2nd Class Honours Upper Division</p> <p><b>University of Nairobi (2000)</b></p> <p>Diploma in Tourism – 1st Class Pass</p> <p><b>Dafina Institute (1998)</b></p> <p>Diploma in Public Relations</p> <p><b>Strathmore College (1995 – 1997)</b></p> <p>Diploma in an Executive Secretarial Course</p> <p><b>WORK EXPERIENCE</b></p> <p><b>Continental Reinsurance Plc</b></p> <p>Position: Group Communications Manager (2013 – To date)</p> <p>Independent</p> <p>Chairman Human Resource Committee</p>
5. Ms. Everline Bosire	<p><b>EDUCATION BACKGROUND</b></p> <p>Poona University</p> <p>Bachelor of Commerce</p> <p>Egerton University</p> <p>MBA (Entrepreneurship)</p> <p>Jomo Kenyatta University of Agriculture and Technology</p> <p>PHD (Entrepreneurship)</p> <p>Independent</p> <p>Chairman Standard, Quality Assurance And Research Committee</p>

2003                      NAIROBI UNIVERSITY  
Secondary Education  
Cardinal Otunga High School, Mosocho  
K.C.S.E. mean grade A- (Minus)

2007                      Primary Education  
Orogare Primary school  
K.C.P.E. Mean grade A (Plain) – 575/700

Marks

WORK EXPERIENCE

October 2014 to date

ministry of health

Kisii county

position: chief executive officer (CEO)

Kisii teaching and referral hospital

reporting to: chief officer of health, Kisii county

July 2013 to September 2014

ministry of health

Kisii county

position: medical superintendent – Kisii level 5 hospital

reporting to: county director of health, Kisii county

January 2013 to June 2013

ministry of medical services (MOMS)

Kisii county

position: deputy district medical services officer (DMSO)

reporting to: district medical services officer (DMSO)

executive director

Chief Executive Officer KTRH

The Secretary of the Board



#### **4. BOARD/FUND CHAIRPERSON'S REPORT**

The Kisii County Teaching and Referral Hospital fund was established in the financial year 2015/2016. The principal objective was to provide financial resources for medical supplies, rehabilitation and medical equipment for the hospital.

There has been no change in the board of management in the year under review. The board has been in office for more than one financial year.

The revenue for the Kisii County Teaching and Referral Hospital fund has improved from Ksh 173,925,976 previous year to Ksh 282,932,093 in the year under review.

Hospital management received a report from the KTRH research office following the commissioning of the study aimed at finding out the average cost of offering services in the hospital. To increase activation fees, adjust laundry charges, non-pharm charges, Fees for ICU services, pricing policy of drugs & supplies to be reviewed with an aim of standardization, increase theatre fees to cater for the Caesarean section and reimbursement from NHIF Linda mama. This in turn will increase the hospital fund by a great deal.

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

Prof. Isaac Kibwage

**Kisii County Teaching and Referral Hospital Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**5. REPORT OF THE FUND ADMINISTRATOR**

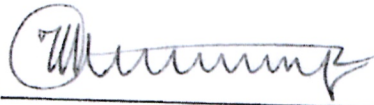
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Signed: \_\_\_\_\_



Dr. Enock Ondari

## **6. CORPORATE GOVERNANCE STATEMENT**

Kisii Teaching and Referral Hospital board consist of; A chairperson appointed by the Executive Committee Member from persons who are not public officers; the Chief officer in the time being responsible for Finance, the chief Officer in the time being responsible Health, County department for matters relating to County department, the Chief Executive Officer shall be the Secretary, three persons appointed by the Executive Committee Member representing both gender of whom two shall be women and one of whom shall be appointed by virtue of his or her knowledge or experience in financial management, and one other shall be appointed by virtue of his or her experience in health care delivery management, and the Chief Executive Officer of Kisii teaching and Referral Hospital or his or her representative appointed in writing. The chairperson and the members referred above shall hold office for a period of three years and shall be eligible for re-appointment for a further term of three years. A person shall not be appointed as chairperson unless that person holds a degree from a university recognized in Kenya, and has at least five years' experience in financial, business or economic management. A member of the Committee may be removed from office for violation of the Constitution or any other law, gross misconduct, whether in the performance of the member's functions or otherwise, physical or mental incapacity to perform the functions of office; or Removal from and vacancy of office because of incompetence or neglect of duty.

The Executive Committee Member may, upon there commendation of the Committee terminate the appointment of a member of the Committee on any of the grounds specified above

The office of a member of the Committee, shall fall vacant if the member resigns in writing addressed to the Executive Committee Member through the Secretary, is adjudged bankrupt by a competent court of law, is convicted of a criminal offence and sentenced to a term of imprisonment of not less than six months, or if the offence directly or adversely downgrade his or her status as a member of the Committee, is absent from three consecutive meetings of the Committee without a reasonable excuse or dies. Before a member is removed from office the member shall be given an opportunity to defend himself or herself against any of the allegations. Where the office of Chairperson or member becomes vacant, the Secretary shall forthwith notify the vacancy to the appointing authority for appropriate action.

The functions of the Board shall be to approve budgets, programmes and plans of KTRH, prepare the Fund's annual budget and plan, propose variations to user fees to be charged, formulate policies for exemptions and waiver of any charge or fees payable by a recipient of services, formulate strategies on resource mobilization by health facilities management committees, resolve any conflicts that arise amongst health facilities whose nature is the allocation of resources, membership of the committees or joint

The Functions of the Committee are as follows; inspect the hospital projects, prepare reports and forward to the board, identify implementation challenges and seek corrective actions, make policy recommendations on cost sharing, public awareness on health and administration of the Fund through the chairman of the board.

The Committee shall meet at least four times in a year but the Chairperson may convene a special meeting of the Committee if there is need to do so and shall convene a special meeting upon the request, in writing, by at least four members of the Committee. The Chairperson shall preside at all the meetings of the Committee and in his or her absent the members present shall elect one of their number to preside at that meeting.

## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

The CEO notified members that the following major hospital projects were on-going:-

- Construction of the Mother and Child Hospital – Excavation has been done and the floor slab is being laid.
- Construction of the doctor's plaza - Excavation has been done and the floor slab is being laid.
- Construction of the hospital perimeter wall (phase 2) – Almost complete
- Integrated water storage and supply system – About 40% done

The CEO confirmed to members that the long awaited mortuary equipment finally arrived and installation is on-going. The funeral parlor will be officially commissioned in a few weeks. With the opening of the new parlor, the CEO informed members that the hospital will need to employ mortuary attendants. The CEO indicated that the greatest challenge to service delivery has been and continues to be staff shortage. He has observed a dwindling number of staff in the recent past, however, he was grateful to the county government for employing more nurses, doctors and radiographers and hoped that a substantial number will be deployed in this hospital. On costing, the management team were all in agreement that health care services were becoming expensive and that from the report they have seen hard reality which demands for hard decisions.

**8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

**Kisii County Teaching and Referral Hospital Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**9. REPORT OF THE TRUSTEES**

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

**Principal activities**

The principal activities of the Fund are

1. To provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the hospital;
2. Support capacity building in the management of the hospital;
3. Support and empower rural communities to take charge of improving their own health
4. To give decision making autonomy to the hospital management committees, to plan and manage the resources within their control;
5. To improve the quality of health care services in the hospital

**Results**

The results of the Fund for the year ended June 30, 2019 are set out on page 16-22

**Trustees**

The members of the Board of Trustees who served during the year are shown on page 4-7.

**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. The Auditor General will carry out the audit of the Kisii teaching and Referral Hospital Fund for the year/period ended June 30, 2019.

By Order of the Board

Jamaludin Shamji

Member of the Board

Date: 02/08/2019

## **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 The Kisii Teaching and Referral Hospital Fund established by Section 116 of the 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.

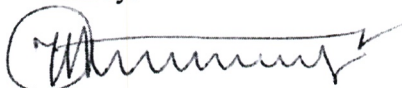
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i)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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. 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, 2018, 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 26<sup>th</sup> July 2019 and signed on its behalf by:

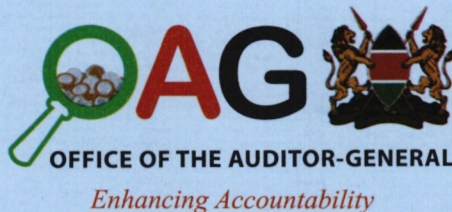


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Administrator of the County Public Fund  
Dr. Enock Ondari

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON KISII COUNTY TEACHING AND REFERRAL HOSPITAL FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Adverse Opinion**

I have audited the accompanying financial statements of Kisii County Teaching and Referral Hospital Fund set out on pages 16 to 48, which comprise of the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and 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 Kisii County Teaching and Referral Hospital Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

#### **Basis for Adverse Opinion**

##### **1. Failure to Submit Financial Statements**

As disclosed under Key Entity Information and Management, the report of the Fund Administrator indicates that Kisii County Teaching and Referral Hospital Fund was established in 2015/2016 financial year after the enactment of the enabling legislation in April, 2014. However, the Management of the Fund did not prepare and submit for audit the financial statements for three years ended 30 June, 2016 to 30 June, 2018.

This was contrary to the requirements of Section 19(1) and (2) of Kisii Teaching and Referral Hospital Act, 2014 and Section 116(7) of Public Finance Management Act, 2012 which provides that the Fund shall be audited annually by the Auditor-General.

Further, the statement of financial position as at 30 June, 2019 reflects aggregated net assets opening balance of Kshs.72,427,304. However, the balance was not analyzed nor supported by a general ledger for the reserves.

Consequently, the accuracy, completeness, and validity of the opening balances for the year ended 30 June, 2019 could not be ascertained.

## **2. Presentation of the Financial Statements**

The financial statements were not prepared in accordance with the requirements of the Public Sector Accounting Standards Board. Details about the Corporate Social Responsibility Statements/Sustainability reporting were omitted from the financial statements. Further, the report of the Board of Trustees and Chairperson's report were not signed.

In addition, Management did not prepare a fixed assets movement schedule as provided for in the reporting template.

The financial statements presented did not, therefore, comply fully with the financial reporting template recommended by the Public Sector Accounting Standards Board (PSASB).

## **3. Unsupported Balances**

Management did not provide a general ledger to support the amounts and balances reflected in the financial statements for the year ended 30 June, 2019.

As a result, the completeness, accuracy and validity of the amounts and balances presented and disclosed in the financial statements could not be confirmed.

## **4. Property, Plant and Equipment**

The statement of financial position reflects a Nil balance in respect of property, plant, and equipment as at 30 June, 2019. However, the hospital had land, buildings, plant, equipment, motor vehicles, furniture, fittings, computers and work in progress of undetermined values used by the Fund for the Hospital operations during the period under review. Further, fixed assets register was not maintained and valuation of the assets had not been carried out and disclosed in records.

In the circumstances, the property, plant, and equipment balance as at 30 June, 2019 is not fairly disclosed or stated in the financial statements.

## **5. Variance in Revenue from Public Contributions and Donations-User Fee**

The statement of financial performance reflects revenue from public contributions and donations-user fee of Kshs.180,896,893 during the year under review. The amount, however, differs with the figure of Kshs.182,400,088 indicated in the revenue report, generated from the Hospital's information communication technology system by Kshs.1,503,195.

In the circumstances, the accuracy and completeness of revenue reflected in the statement of financial performance for the year ended 30 June, 2019 could not be confirmed.

## 6. Understatement of Revenue- Other Income

The statement of financial performance reflects other income of Kshs.102,035,200 during the year under review. However, the income excludes an amount of Kshs.43,868,244 which had accrued but was not recognized in revenue accounts during the year.

In the circumstances, the accuracy and completeness of the other income for the year ended 30 June, 2019 could not be confirmed.

## 7. Unsupported Inventories

The statement of financial position reflects a Nil balance in respect of inventories as at 30 June, 2019. However, Board of Survey certificates and stock count sheets and other records supporting the balance were not provided for audit review.

In the absence of records, the accuracy and completeness of the inventory balance as at 30 June, 2019 could not be confirmed.

## 8. Inaccurate Revolving Fund and Reserve Balance

The statement of financial position reflects a Nil balance in respect of revolving fund and reserves as at 30 June, 2019. However, the Fund had a bank balance of Kshs.72,427,304 at the beginning of the year which should have been brought forward and disclosed as an opening balance for the financial year under review. No explanation was given for the anomaly.

In the circumstances, the accuracy and completeness of the revolving fund/reserves balance reflected in the financial statements for the year ended 30 June, 2019 could not be confirmed.

## 9. Accumulated Surplus

Similarly, the statement of financial position reflects a Nil balance under accumulated surplus against a deficit of Kshs.57,531,410 and an amount of Kshs.14,895,894 disclosed in the statement of financial performance and statement of changes in net assets, respectively. These variances were not explained or reconciled.

Consequently, the accuracy and completeness of the accumulated surplus balance as at 30 June, 2019 could not be confirmed.

## 10. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

Included in the statement of comparison of budget and actual amounts are final budget figures that differ significantly with the approved budget amounts as follows:

Budget Item	Approved Budget Figure (Kshs.)	Financial Statement Figure (Kshs.)	Difference (Kshs.)
Other Operating Expenses	73,029,222	33,629,222	39,400,000
Domestic Travel and Subsistence, and other Transportation Costs	9,422,000	13,222,000	(3,800,000)

<b>Budget Item</b>	<b>Approved Budget Figure (Kshs.)</b>	<b>Financial Statement Figure (Kshs.)</b>	<b>Difference (Kshs.)</b>
Communication, Supplies and Services	2,965,000	4,565,000	(1,600,000)
Training Expense (Including Capacity Building)	9,304,950	17,032,950	(7,728,000)
Routine Maintenance - other Assets	31,658,781	47,058,781	(15,400,000)
Purchase of Specialized Materials and Supplies	140,720,716	121,880,000	18,840,716
Hospitality Supplies and Services	12,123,200	32,123,300	(20,000,100)

No explanation has been provided by Management for the variances and as a result, the accuracy and validity of the statement of comparison of budget and actual amounts for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisii County Teaching and Referral Hospital 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 section of my report, based on the audit procedures performed, I confirm 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 standard requires that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and Board of Trustees**

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 ability of the Fund to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Fund or 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.

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

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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 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.

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**26 October, 2021**

**Kisii County Teaching and Referral Hospital Fund**  
**Reports and Financial Statements**  
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**12. FINANCIAL STATEMENTS**

**12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2019**

	Note	2018/2019 KSh.	2017/2018 KSh.
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations-User Fee	1	180,896,893	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
<b>Total</b>		<b>180,896,893</b>	<b>-</b>
<b>Revenue from exchange transactions</b>			
Interest income	4	-	-
Other income	5	102,035,200	-
<b>Total revenue</b>		<b>282,932,093</b>	<b>-</b>
<b>Expenses</b>			
Fund administration expenses	6	-	-
Staff costs	7		
General expenses	8	340,463,503	-
Finance costs	9	-	-
<b>Total expenses</b>		<b>340,463,503</b>	<b>-</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10		
<b>Surplus/( deficit) for the period</b>		<b>(57,531,410)</b>	<b>-</b>

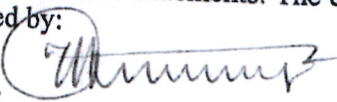
The notes set out on pages 33 to 38 form an integral part of these Financial Statements

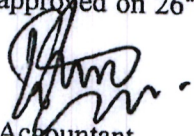
Kisii County Teaching and Referral Hospital Fund  
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 For the year ended June 30, 2019

12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2018/2019 KShs	2017/2018 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	14,895,894	
Current portion of long term receivables from exchange transactions	12	-	
Prepayments	12	-	
Inventories/Debtors	13	49,413,014	
<b>Total Current Assets</b>		<b>64,308,908</b>	
<b>Non-current assets</b>			
Property, plant and equipment	14	-	-
Intangible assets	15	-	-
Long term receivables from exchange transactions	12	-	-
<b>Total Non-Current Assets</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>64,308,908</b>	
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16	-	-
Provisions	17	-	-
Current portion of borrowings	18	-	-
Employee benefit obligations	19	-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	19	-	-
Long term portion of borrowings	18	-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>			
Revolving Fund		64,308,908	72,427,304
Reserves		-	-
Accumulated surplus		-	-
<b>Total net assets and liabilities</b>		<b>-</b>	<b>-</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 26<sup>th</sup> July 2019 and signed by:

Sign,   
 Administrator of the Fund  
 Name: Dr. Enock Ondari

Sign   
 Fund Accountant  
 Name: Elijah Ombati  
 ICPAK Member Number 15157

**Kisii County Teaching and Referral Hospital Fund  
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**12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	KSh	KSh	KSh	KSh
<b>Balance as at 1 July 2017</b>	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2018</b>	-	-	-	-
<b>Balance as at 1 July 2018</b>	-	-	<b>72,427,304</b>	-
Surplus/(deficit) for the period	-	-	(57,531,410)	-
Funds received during the year	-	-	282,932,093	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	-	-	<b>14,895,894</b>	-

**(Provide details on the nature and purpose of reserves)**

**Kisii County Teaching and Referral Hospital Fund**  
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**12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Number	2018/2019	2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations-User Fee	1	180,896,893	-
NHIF Inpatient Claims	5	61,887,750	-
NHIF Civil Servant Capitation	5	1,325,000	-
NHIF Out Patient (OPD)	5	21,982,950	-
Britam Insurance	5	789,500	-
Free Maternity/Linda Mama	5	16,050,000	-
<b>Total Receipts</b>		<b>282,932,093</b>	-
<b>Payments</b>			
Utilities supplies and services	8	(36,196,708)	-
Fuel oil and Lubricants	8	(10,327,260)	-
Domestic travel and other subsistence, and other transport costs	8	(9,363,905)	-
Printing, Advertising and information supplies and services	8	(4,287,612)	-
Hospitality Supplies and Services	8	(7,224,908)	-
Office and General supplies and services	8	(18,709,084)	-
Communication, supplies and services	8	(2,906,685)	-
Training and Capacity Building	8	(8,907,800)	-
Routine Maintenance -Vehicle and Other Transport Equipment	8	(691,300)	-
Routine Maintenance - Other Assets	8	(28,695,305)	-
Purchase of Specialized Plant, Equipment and Machinery	8		-
Other Operating expenses	8	(72,992,100)	-
Purchase of Specialized Material and Supplies	8	(138,570,626)	-
<b>Total Payments</b>		<b>(338,873,293)</b>	-
<b>Net cash flows from operating activities</b>		<b>(55,941,200)</b>	-
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible	8	(1,590,210)	-

**Kisii County Teaching and Referral Hospital Fund**  
**Reports and Financial Statements**  
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assets			
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>	<b>8</b>	<b>(1,590,210)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(57,531,410)</b>	<b>-</b>
Cash and cash equivalents at 1 JULY 2018	11	72,427,304	-
<b>Cash and cash equivalents at 30 JUNE 2019</b>	<b>11</b>	<b>14,895,894</b>	<b>-</b>

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

**NHIF County Teaching and Referral Hospital Fund**  
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**12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations- User Fee	183,585,000	-	183,585,000	180,896,893	2,688,107	95
NHIF Inpatient Claims	60,150,050	-	60,150,050	61,887,750	(1,737,700)	102
NHIF Civil Servant Capitation	13,528,500	-	13,528,500	1,325,000	12,203,500	9
NHIF Out Patient (OPD)	13,867,460	-	13,867,460	21,982,950	(8,115,490)	158
Britam Insurance	-	-	-	789,500	(789,500)	-
Free Maternity/Linda Mama	69,500,000	-	69,500,000	16,050,000	53,450,000	23
<b>Total income</b>	<b>340,631,010</b>	<b>-</b>	<b>340,631,010</b>	<b>282,932,093</b>	<b>57,698,917</b>	<b>83</b>
<b>Expenses</b>						
Utilities supplies and services	37,701,500	-	37,701,500	36,196,708	1,504,792	96
Fuel oil and Lubricants	4,620,000	-	4,620,000	10,327,260	(5,707,260)	224
Domestic travel and other subsistence, and other transport costs	13,222,000	-	13,222,000	9,363,905	3,858,095	71
Printing, Advertising and information supplies and services	4,453,900	-	4,453,900	4,287,612	166,288	96
Hospitality Supplies and Services	32,123,300	-	32,123,300	7,224,908	24,898,392	22
Office and General supplies and services	12,102,200	-	12,102,200	18,709,084	(6,606,884)	155

**Kisii County Teaching and Referral Hospital Fund**  
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assets			
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>	<b>8</b>	<b>(1,590,210)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(57,531,410)</b>	<b>-</b>
Cash and cash equivalents at 1 JULY 2018	11	72,427,304	-
<b>Cash and cash equivalents at 30 JUNE 2019</b>	<b>11</b>	<b>14,895,894</b>	<b>-</b>

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

**NISU County Teaching and Referral Hospital Fund**  
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**12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations- User Fee	183,585,000	-	183,585,000	180,896,893	2,688,107	95
NHIF Inpatient Claims	60,150,050	-	60,150,050	61,887,750	(1,737,700)	102
NHIF Civil Servant Capitation	13,528,500	-	13,528,500	1,325,000	12,203,500	9
NHIF Out Patient (OPD)	13,867,460	-	13,867,460	21,982,950	(8,115,490)	158
Britam Insurance	-	-	-	789,500	(789,500)	-
Free Maternity/Linda Mama	69,500,000	-	69,500,000	16,050,000	53,450,000	23
<b>Total income</b>	<b>340,631,010</b>	<b>-</b>	<b>340,631,010</b>	<b>282,932,093</b>	<b>57,698,917</b>	<b>83</b>
<b>Expenses</b>						
Utilities supplies and services	37,701,500	-	37,701,500	36,196,708	1,504,792	96
Fuel oil and Lubricants	4,620,000	-	4,620,000	10,327,260	(5,707,260)	224
Domestic travel and other subsistence, and other transport costs	13,222,000	-	13,222,000	9,363,905	3,858,095	71
Printing, Advertising and information supplies and services	4,453,900	-	4,453,900	4,287,612	166,288	96
Hospitality Supplies and Services	32,123,300	-	32,123,300	7,224,908	24,898,392	22
Office and General supplies and services	12,102,200	-	12,102,200	18,709,084	(6,606,884)	155

**Kisii Teaching and Referral Hospital  
Reports and Financial Statements  
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Standard	Effective date and impact:
	<p>model that is applicable to all financial instruments subject to impairment testing; and</p> <ul style="list-style-type: none"> <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><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</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>

**c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**4. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on 29<sup>th</sup> June, 2018. 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)**

**5. Property, plant and equipment**

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

**6. Intangible assets**

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

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

**7. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*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)**

**8. Inventories**

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

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

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

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

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

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

**9. Provisions**

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

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

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

***Contingent liabilities***

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contingent assets***

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

**10. Changes in accounting policies and estimates**

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

**11. Employee benefits – Retirement benefit plans**

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

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

**12. Foreign currency transactions**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**13. Borrowing costs**

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

**14. Related parties**

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

**15. Cash and cash equivalents**

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

**16. Comparative figures**

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

**17. Events after the reporting period**

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

**18. Currency**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, 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

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

**Useful lives and residual values**

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

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

**Provisions**

Provisions were 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**20. Financial risk management**

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

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

**a) Credit risk**

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**b) Liquidity risk management**

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2019</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

	Other currencies		Total
	KShs	KShs	
<b>At 30 June 2019</b>			
<b>Financial assets</b>	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2019</b>			
Euro	-	-	-
USD	-	-	-
<b>2018</b>			
Euro	-	-	-
USD	-	-	-

**ii. Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Capital risk management**

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

	2019	2018
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>%</b>	<b>%</b>

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**12.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	2018/2019	2017/2018
	KShs	KShs
Donation from development partners-user Fee	180,986,893	-
Contributions from the public	-	-
<b>Total</b>	<b>180,986,893</b>	<b>-</b>

User fee is the cost sharing charges paid by a patient seeking health services at a public health facility.

**2. Transfers from County Government**

Description	2018/2019	2017/2018
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**3. Fines, penalties and other levies**

Description	2018/2019	2017/2018
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4. Interest income**

Description	2018/2019	2017/2018
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-

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<b>Total interest income</b>	-	-
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**5. Other income**

Description	2018/2019 KSh.	2017/2018 KSh.
NHIF Inpatient Claims	61,887,750	-
NHIF Civil Servant Capitation	1,325,000	-
NHIF Out Patient (OPD)	21,982,950	-
Britam Insurance	789,500	-
Miscellaneous income-Linda Mama	16,050,000	-
<b>Total other income</b>	<b>102,035,200</b>	-

**6. Fund administration expenses**

Description	2018/2019 KSh.	2017/2018 KSh.
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	-	-
<b>Total</b>	-	-

**7. Staff costs**

Description	2018/2019 KSh.	2017/2018 KSh.
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. General expenses**

Description	2018/2019	2017/2018
	KSh	KSh
Utilities supplies and services	36,196,708	-
Fuel oil and Lubricants	10,327,260	-
Domestic travel and other subsistence, and other transport costs	9,363,905	-
Printing, Advertising and information supplies and services	4,287,612	-
Hospitality Supplies and Services	7,224,908	-
Office and General supplies and services	18,709,084	-
Communication, supplies and services	2,906,685	-
Training and Capacity Building	8,907,800	-
Routine Maintenance - Vehicle and Other Transport Equipment	691,300	-
Routine Maintenance - Other Assets	28,695,305	-
Other Operating expenses	72,992,100	-
Purchase of Specialized Plant, Equipment and Machinery	1,590,210	-
Purchase of Specialized Material and Supplies	138,570,626	-
<b>Total</b>	<b>340,463,503</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Finance costs**

Description	2018/2019 KSh	2017/2018 KSh
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	-	-

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

Description	2018/2019 KSh	2017/2018 KSh
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	-	-

**11. Cash and cash equivalents**

Description	2018/2019 KSh	2017/2018 KSh
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	14,895,894	72,427,304
Others	-	-
<b>Total cash and cash equivalents</b>	<b>14,895,894</b>	<b>72,427,304</b>

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

Financial Institution	Account number	2018/2019	2017/2018
		KSh	KSh
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Kenya Commercial bank	1101996315	14,895,894	-
<b>Sub- total</b>		<b>14,895,894</b>	-
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>14,895,894</b>	-

**12. Receivables from exchange transactions**

Description	2018/2019	2017/2018
	KSh	KSh
<b>Current Receivables</b>		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors- NHIF	49,413,014	-
Less: impairment allowance	-	-
<b>Total Current receivables</b>	<b>49,413,014</b>	
<b>Non- Current receivables</b>		
Long term loan repayments due	-	-
<b>Total Non- current receivables</b>	-	-
<b>Total receivables from exchange transactions</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. Prepayments**

Description	2018/2019	2017/2018
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
<b>Total</b>	-	-

**14. Inventories**

Description	2018/2019	2017/2018
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Debtors	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
<b>At 1<sup>st</sup> July 2017</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2018</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	-
<b>Depreciation and impairment</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2017</b>	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2018</b>	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	-
<b>Net book values</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. Intangible assets-software**

Description	2019/2019	2018/2018
	KShs	KShs
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	-	-

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

Description	2019/2019	2018/2018
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	-	-

**18. Provisions**

Description	Leave provision	Bank provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
<b>Balance at the end of the year (30.06.2019)</b>	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19. Borrowings**

Description	2018/2019	2017/2018
	KShs	KShs
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

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

	2018/2019	2017/2018
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from organization'	-	-
Sterling Pound denominated loan from organization'	-	-
Euro denominated loan from organization'	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

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

Description	2018/2019	2017/2018
	KShs	KShs
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20. Employee benefit obligations**

	Defined benefit plan	Post-employment medical benefits	Other provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
<b>Total employee benefits obligation</b>	-	-	-	-

**21. Cash generated from operations**

	2018/2019	2017/2018
	KShs	KShs
Surplus/ (deficit) for the year before tax	-	-
<b>Adjusted for:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	-	-

**22. Related party balances**

**a) Nature of related party relationships**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**b) Related party transactions**

	2018/2019	2017/2018
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

	2018/2019	2017/2018
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	2018/2019	2017/2018
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
<b>Total</b>	-	-

**e) Due to related parties**

	2018/2019	2017/2018
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
<b>Total</b>	-	-

**23. Contingent assets and contingent liabilities**

Contingent liabilities:	2018/2019	2017/2018
	KShs	KShs
Court case xxx against the Fund	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

*(Give details)*

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**13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

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

The fund is preparing the financial statements for the first time.