

REPUBLIC OF KENYA



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REPORT

OF

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**KAKAMEGA COUNTY HEALTH
SERVICES FUND**

**FOR THE FOURTEEN (14) MONTHS
ENDED 30 JUNE, 2024**

PAPERS LAID	
DATE	6/3/2025
TABLED BY	Dep Majority Whip
COMMITTEE	
CLERK AT THE TABLE	Maalim



COUNTY GOVERNMENT OF KAKAMEGA

KAKAMEGA COUNTY HEALTH SERVICES FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR 14 MONTHS ENDING 30TH JUNE, 2024**

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

Kakamega County Health Services 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

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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2. Key Entity Information and Management

a) Background information

Kakamega County Health Services Fund is established by and derives its authority and accountability from Kakamega County Health Services Act, 2022 enacted by the County Assembly of Kakamega. The Fund is wholly owned by the County Government of Kakamega and is domiciled in Kenya.

The fund's objective is to establish an effective, efficient and sustainable health care system to ensure provision of quality, affordable and accessible health care services in the County and for connected purposes to provide for financial autonomy to Health Facilities to raise, retain and use funds generated.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide for financial autonomy to Health Facilities to raise, retain and use funds generated

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Dr,Bernard Wesonga	Chairperson
2	Dr.David Alila	Fund Administrator
3	Dr.Jeophita June Mwajuma	Member
4	Hon George Mukodo	Member
5	CS.Vivianne Mmbaka	Member
6	Dr, Stephen Wandei	Secretary
7	Dr Ayub Misiani	Member
8	Mr.Titus Mumia	Member
9	Mr.William Olaka	Member

d) Key Management Team

Ref	Name	Position
1	Dr.David Alila	Fund Administrator
1	Ms.Christine Bwire	County Health Administrative Officer
2	CPA.Wycliffe Kotonya	Fund Accountant
3	Dr.Barbra Murila	Acting Medical Superintendent-County General Hospital
4	Dr.Ayub Misiani	County Pharmacist
5	Mr.Acleus Mbatl	County Public Health Officer
6	Mr.George Lipesa	County Nursing Officer

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7	Dr. Moses Okware	Representative of medical superintend level 4
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e) Fiduciary Oversight Arrangements

No.	Entity	Role
1.	Parliamentary committee activities	Legislation, Oversight, Representation
2.	County Assembly of Kakamega	Legislation, Oversight, Representation
3.	Controller of Budget	Oversight and advisory
4.	Office of the Auditor General	Oversight and advisory, Accountability, Express opinion on Books of account, Offer quality assurance on fiscal and monetary matters.
5.	Audit Committee	Monitoring and reviewing risk, control and governance processes that have been established.

f) Registered Offices

P.O. Box 36-50100
 County General Hospital
 General Hospital
 Kakamega Kenya

g) Fund Contacts

Telephone: (254) 056-31850/1852/31855
 E-mail: Health@kakamega.go.ke
 Website: www.kakamega.go.ke

h) Fund Bankers

1. Family Bank of Kenya
 Kakamega branch

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Key Entity and Management (Continued)

i) Independent Auditors

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

j) Principal Legal Adviser




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

k) County Attorney




County Attorney,
Legal Office,
Kakamega Town,
P.O. Box 36,
Kakamega, Kenya

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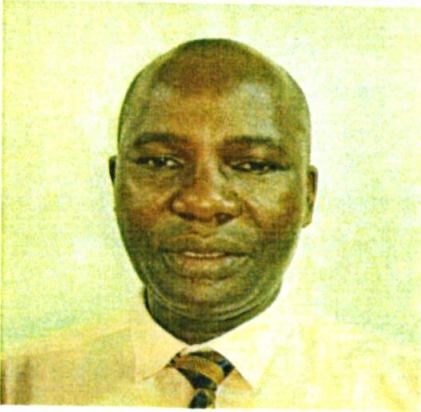

3. Fund Administration Committee

Name	Details of qualifications and experience
 1. Dr. Bernard Wesonga	<p style="text-align: center;">Chairperson of the Fund.</p> <ul style="list-style-type: none"> ● Date of Birth:1962 ● CECM Health Services ● Bachelor of Medicine and Bachelor of Surgery (MBChB) 1992 ● Masters in Public Health (MPH)2007 ● Masters Global Bioethics (MGBE) 2021 ● 32 years' Experience ● Clinical Medicine and Public health County <p>Executive Director</p>
 2. Dr. David Alila	<ul style="list-style-type: none"> ● Date of birth 18/07/1975 ● B.Ed.(Science) ● MSc (Statistics) ● PhD (Statistics) ● Data Mining and analytics ● Chief officer Medical Services <p>Work experience-Lecturer at MMUST and Currently serves as the Chief officer Medical services County Government of Kakamega</p> <p>Executive Director</p>
 3. Dr. Jeophita June Mwajuma	<p style="text-align: center;">Chief Officer Finance</p> <ul style="list-style-type: none"> ● Holds PhD in Environmental Microbiology, Master of Science degree in Microbiology, Bachelor of Science degree (Botany/Zoology) from Kenyatta University. ● Laboratory Assistant at Mumias Sugar Company ● Mombasa Polytechnic University College as an Assistant Lecturer ● Served as Chief Officer County Government of Mombasa. <p>Executive Director</p>

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 <p>4. Hon George Mukodo</p>	<ul style="list-style-type: none"> ● Date of Birth: 10/4/1968 ● Bachelor of Business Administration from Newport University USA, 1999 ● Certificate in Counselling Skills from Kenya Institute of Professional Counselors, 2004 ● Certificate in Communication and Advocacy Skills Oracles 2012 ● Have over 16 years experience in Programing in various NGOs,,Behavior Change Communication (Specialist) ● Currently Chief Officer Public Health Executive director
 <p>5 CS. Vivianne Mmbaka</p>	<p>County Attorney</p> <ul style="list-style-type: none"> ● Doctor of philosophy in Law (PhD candidate) University of Nairobi, Masters of Law, ● Holds Post graduate Diploma in Law, and Bachelor Degree in Law. Certified secretary (CPSK) ● Member of the chartered institute of certified arbitrators. ● An advocate of the high court of Kenya and a member of the law society of Kenya with over 14 years' experience in legal practice in both private and public spheres with a bias in public law and corporate governance ● Executive director
 <p>6. Dr. Stephen Wandei</p>	<ul style="list-style-type: none"> ● DOB 26th October 1978 ● Masters in Public Health (HSM) ● Bachelors Degree in Dental Surgery ● Over 15 years experience as a manager in the Health Sector. ● A distinguished IMPACT fellow ● Holds a Certificate in Quality Health Management from Harvard University. ● Currently County Director of Medical Services

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 <p>7. Dr Ayub Misiani</p>	<ul style="list-style-type: none"> ● Born on 11th August 1984 ● Bachelor of Pharmacy, University of Nairobi ● Masters in Health Supply Chain Management, University of Rwanda. ● Currently works with the County Government of Kakamega as the County Pharmacist and Head of Health Products and Technologies, Kakamega. ● Has worked in Public Service for 14 years.
 <p>8. Titus Mumia</p>	<ul style="list-style-type: none"> ● Born on 6th May 1985 ● PhD Human Resource Management JKUAT Ongoing ● Masters in Business Administration (Human Resources Management) ● Bachelors in Development Studies MKU ● Diploma in Health Systems Management ● Hospital Administrator at County Referral Hospital (CGH) ● Manager Child Helpline Kenya 116 ● Worked in private sector for 6 years ● Has worked in Public Service for 10 years. ● Currently County Head of Administration Planning and Budgeting Executive Director
 <p>9. William Olaka</p>	<ul style="list-style-type: none"> ● Born on 12/08/1967 ● Masters in Public Health (Epidemiology and Disease Control) at JOOUST. ● BSc in Environmental Health ● 35 years working experience ● Divisional PHO, Kanduyi division; Divisional PHO, Mumias division; County Disease Surveillance Coordinator, Kakamega County; Director Public Health, Kakamega County ● Currently Director Public Health ● Executive Director

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4. Management Team

NAME	Details of Qualifications and Experience
 <p data-bbox="215 846 411 880">Dr. David Alila</p>	<ul style="list-style-type: none"> ● Date of birth 18/07/1975 ● B.Ed.(Science) ● MSc (Statistics) ● PhD (Statistics) ● Data Mining and analytics ● Work experience-Lecturer at MMUST and ● Currently serves as the Chief officer Medical services County Government of Kakamega ● Fund Administrator.
 <p data-bbox="215 1328 414 1361">Christine Bwire</p>	<ul style="list-style-type: none"> ● Born on 31st August 1967 ● Bachelor of Arts in Social Work form University of Nairobi. ● Diploma in Health Systems Management from Galilee University, Israel. ● Has worked in Public Service for 33 years. ● Currently the County Health Administrative Officer
 <p data-bbox="215 1776 434 1812">William Kotonya</p>	<ul style="list-style-type: none"> ● Date of Birth: 28th March 1980 ● BCOM. Finance Option in progress ● CPA (K) ● Work experience 14 years ● Worked in various hospital in Kakamega County as accountant. ● Currently Fund Accountant.

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	<ul style="list-style-type: none"> ● Date of birth: 11th January, 1989. ● Master of Pharmacy – Clinical Pharmacy ● Bachelor’s Degree in Pharmacy ● Pharmacist intern at Kakamega General Hospital. ● Pharmacist in charge at Kakamega General Hospital. ● Ag. Medical Superintendent, Kakamega General Hospital.
	<ul style="list-style-type: none"> ● Born on 11th August 1984 ● Bachelor of Pharmacy, University of Nairobi ● Masters in Health Supply Chain Management, University of Rwanda. ● Currently works with the County Government of Kakamega as the County Pharmacist and Head of Health Products and Technologies, Kakamega. ● Has worked in Public Service for 14 years.
	<ul style="list-style-type: none"> ● Date of Birth: 21/04/1973 ● BSc. Environmental Health Sciences. ● Working experience- 28 years . ● Worked in Kajiado and Nyamira District, as Deputy DPHO in Butere-Mumias, SCPHO for Khwisero and Mumias East. ● Currently County Public Health Officer.
	<ul style="list-style-type: none"> ● Born on 23rd August, 1966. ● BSc. Nursing at MMUST ● Masters in Nursing in progress at MMUST. ● 33 years of experience. ● Worked at Bukura and Makunga Health Centre as officer in charge ● Worked at CGH as nursing officer in charge. ● Was at Mukumu MTC as dean of students. ● Currently the County Nursing Officer.

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George Lipesa	
 <p data-bbox="217 810 539 842">Dr. Moses Okware Opari</p>	<ul style="list-style-type: none">● Date of Birth: Feb 5, 1978● Bachelor of Medicine & Bachelor of Surgery● Work experience 21 yrs● Malava SCMOH & Med supt 2016 – 2021.● SCMOH LURAMBI- 2012 – 2016.● Currently Lurambi SCMOH 2021.

Kakamega County Health Services Fund.
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5. Fund Chairperson's Report

It is my pleasure to present the Kakamega County Health Services Fund Financial Reports and Statements for the period ending 30th June 2024. The statements present the financial performance of the Fund for the period ending 30th June 2024.

The Financial Statements have been prepared in line with the Public Finance Management (PFM) Act 2012 and are in line with the format prescribed by the Public Sector Accounting Standards Board. The PFM Act Section 163 to 168 requires that these statements be submitted to the Office of Auditor General and copied to the National Treasury, The Controller of Budget, and The Commission of Revenue Allocation after end of the year.

The Financial Statements present the recent actual fiscal performance for the year and make comparisons to the budget appropriations for the same period. They further provide a comprehensive financial review with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper 2023/2024.

During the financial year 2023/2024, Kakamega County Health Services Fund delivered on the following activities.

- i) Facilitate collection of revenues from level 4 & level 5 Hospitals and Public Health Units.
- ii) Disburses funds received to level 4 & level 5 Hospitals and Public Health Units.

The fund had a budget of Kshs. 919,869,389 and actual revenue received was Kshs. 644,257,649. The actual expenditure was Kshs. 626,417,132 translating to 68% absorption rate.

The underperformance of 32% was due to non-collection of Kshs. 275,611,740 from Hospitals due to national wide doctor's strike.

The advisory committee was in place as from July 2023 being chaired by the executive committee member for Health Services who was appointed by the Governor.

The executive committee member for Health appointed the other committee members comprising of 8 members as stated above.

Pursuant to Sec 149 of the PFM Act, 2012, I confirm that there was accountability to the County Assembly in ensuring that the resources of the Fund were authorized and lawfully utilized in an effective, efficient, economical and transparent manner.

Some of the Challenges we face as a Fund during the financial year 2023/2024 were

- i. Nationwide doctors strike which affected daily operations of the Health facilities translating to reduced revenue collection.
- ii. Delays in disbursements from NHIF

Kakamega County Health Services Fund.
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CONCLUSION

The fund recorded good progress in implementation of their activities. On behalf of Fund, I would like to thank H.E. The Governor, H.E. The Deputy Governor for the leadership and support they have provided during the period. Further, my sincere gratitude goes to the fund committee members and staff for their continued efforts to realize the goals as set in the budget FY 2023/2024. I extend my gratitude to all other stake holders for pulling together and for their continued commitment, dedication and hard work to ensure service delivery to the people of Kakamega County. I would also like to thank the County Assembly under the leadership of the Speaker and the County Clerk for their co-operation and oversight role as well as donors who have continued to support us in implementing our roles.

Name.....*BENARD WESONLEA*.....Signature.....*[Handwritten Signature]*.....Date.....*19/11/2024*

Chairperson of the advisory committee

Kakamega County Health Services Fund.
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6. Report of The Fund Administrator

It is my pleasure to present the County Government of Kakamega Health Services Fund Annual Financial Report and Statement for the financial year 2023-2024. The statement present the financial performance of the Fund for the financial year 2023-2024.

The Financial Statements have been prepared in line with the Public Finance Management (PFM) Act, 2012 and are in line with the format prescribed by the Public Sector Accounting Standards Board. The PFM Act, 2012 requires that these statements be submitted to the Office of the Auditor General and copied to the Clerk of County Assembly, The National Treasury, The Controller of Budget and The Commission on Revenue Allocation and the County Treasury within 3 month after the end of financial Year.

The Financial Statements present the recent actual fiscal performance for the year 2023-2024 and make comparisons to the budget appropriations for the same period. They further provide a comprehensive financial review with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper 2023/2024.

a) Functions of the County Government Health Services Fund.

- i. improving the quality of patient care;
- ii. strengthening preventive and promotive health care;
- iii. improve infrastructure within existing health facilities;
- iv. maintenance, improvement and renovation of health care facilities;
- v. supplement the purchase of health products, medical equipment and technologies; and
- vi. any other expenditure that is within the approved budget.

b) Budget performance against actual amounts for current year and for cumulative to-date based on programmes

Fund's financing

The Fund finances its daily operations by retaining 3% of the Hospitals revenues that has been swiped into the fund account. This money is used to offset administrative costs.

To ensure optimum collection of revenues from hospitals and public health Units the fund management is coming up with measures of curbing revenue leakages by ensuring all revenues have been collected through the system and banked directly from the source.

Budget Allocation

In the Financial year 2023/2024, the Fund had an approved budget of Kshs 919,869,389 comprising of Kshs 78,617,364 transfers from the County Government and Ksh 841,000,000 receipts from hospitals and public health units. This amount was allocated as follows 97% of the

Kakamega County Health Services Fund.
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the budget was transfers to the Health Facilities and public Health units while 3% of the budget was retained for the fund daily operations translating to Kshs. 892,273,307 and Kshs. 27,596,082 respectively.

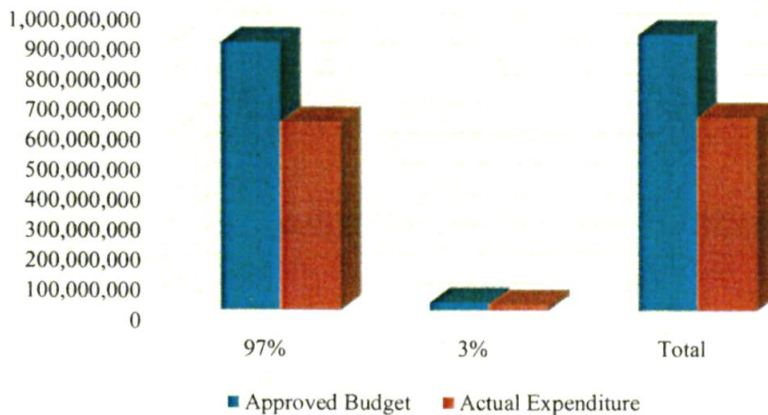
Budget Absorption

During the year under review the fund received Kshs. 644,257,649 which is 70% of the budget

The actual expenditure was Kshs. 626,417,132. Kshs. 606,207,117 was for the transfers to hospitals and Public Health Units and Kshs. 20,210,015 on administrative Costs.

Comparison of Budget amount against actual expenditure.

Budget vs Actual Expenditure



c) Physical progress based on outputs, outcomes and impacts since establishment of the fund.

The implementation of the fund began in July 2023 and has been in operation for one financial year.

However it has realized tremendous progress that has recorded improvement in the financial management of the Health facilities within the county government of Kakamega.

Some of the physical progress are

- i. Timely Disbursement of funds to the health facilities-This has reduced delays in disbursement of funds and has ensured efficiency in planning and execution of the programmes within the health sector.
- ii. Improved revenue collection-the fund has ensured tremendous improvement in revenue collection by increasing from 350M from the fy 2022/2023 to 565M in Fy 2023/2024.

Kakamega County Health Services Fund.
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- iii. Prudent financial management-the fund has put in place proper structures that have reduced revenue leakages and improper spending.
- d) **Comment on value-for-money achievements,**

The Fund has achieved much on value for the money as highlighted above under the physical progress.

- e) **List the implementation challenges**
 - i. Nationwide doctors strike which affected daily operations of the Health facilities translating to reduced revenue collection.
 - ii. Delays in disbursements from NHIF

f) **Highlight key risk management strategies applied by the Fund**

Risk	Risk Implication	Mitigation Measures
Revenue Leakage	Loss of County revenue	Revenue Automation
Misappropriation of funds	Loss of County funds	Enhance internal control system process
Delay in disbursement	Slow operations	Improve own source collections
Inadequate Financial resources	Inefficiency in service delivery	Resource mobilisation

CONCLUSION

On behalf of the County Government of Kakamega, I would like to thank H.E. the Governor, H.E. the Deputy Governor for the leadership and support they have provided during the period. Further, my sincere gratitude goes to the Fund Committee Members for their continued efforts to realize the goals as set in the budget FY 2023/2024. I extend my gratitude to Hospital management and health care workers for their continued commitment, dedication and hard work to ensure service delivery to the people of Kakamega County. I would also like to thank the County Assembly under the leadership of the Speaker and the County Clerk for their co-operation and oversight role.

Name DAVIDA AKLON Signature [Signature] Date.....

Fund administrator

Kakamega County Health Services Fund.
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7. Statement of Performance Against the County Fund’s Predetermined Objectives

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity’s performance against predetermined objectives.

The key development objectives of the Fund as per the strategic plan for the period 2023/2024 are to:

- The principal activity/mission/ mandate of the Fund is to provide for financial autonomy to Health Facilities to raise, retain and use funds generated.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Financial autonomy to Health Facilities	To ensure health facilities get disbursements timely	Efficiency in service delivery	Amount disbursed 606,207,117	97% transfers made to health

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8. Corporate Governance Statement

a. Number of Fund Administration Committee meetings held and the attendance to those meetings by members,

The current committee was competitively recruited and sworn in, in the Financial Year 2023/2024 hence committees have been formed and hold quarterly meetings as guided by the board charter.

b. Succession plan,

The Administration Committee Members are always competitively recruited and legally constituted after their term has ended.

c. Existence of a service charter,

The fund has a service charter in place.

d. Process of appointment and removal of trustees/ Administration Committee members,

The Chairperson is appointed by the Governor. The executive committee member for Health shall make appointments under sub section 30 (1) (b,c,d,e,f,g,h) of the Kakamega County Health services improvement Act. Members can be removed by the Governor if it appears to him or her that the Committee has failed to carry out its functions in the interest of the county. Thereafter, the Governor with the assistance of the Executive Committee constitutes a caretaker committee for a period not exceeding six months within which a new Committee shall be constituted

e. Roles and functions of the Board of Directors,

The following are the roles and functions of the advisory committee members

- i. Receive and approve budget estimates;
- ii. Review, verify and approve funding to health facilities and public health units;
- iii. Receive reports on the performance of the Fund from the Fund Administrator;
- iv. Approve guidelines and work plans for proper functioning of the\

f. Induction and training, Administration Committee members and member's performance,

Members are always inducted after engagement and are frequently trained on quarterly basis

g. Conflict of interest,

At the beginning of every Board meeting members are requested to declare if they had any conflict of interest issues on the agenda at hand.

No conflict of interests were raised during board meetings.

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h. Board remuneration,

The administration committee members are County staffs and are remunerated by the department of Public Service and Administration as per the Salaries and Remuneration.

i. Ethics and conduct as well as governance audit undertaken if any

The corporation relies on Directorate of internal Audit of the County Government Executive to conduct governance audit.

Fund committee Composition

- i. County Executive Committee Member for Health Services who shall be the chairperson and shall be appointed by the Governor;
- ii. Chief Officer responsible for health services; 18 No. 4 Kakamega County Health Services 2022
- iii. Chief Officer responsible for finance or a representative duly nominated in writing; (d) County Attorney;
- iv. County Director of Health Services who shall be the secretary;
- v. County Head of Health Products and Technologies;
- vi. County Head of Health Administrative and support services; and
- vii. County Head of Public Health Services; and
- viii. fund administrator who shall be an ex official member

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9. Management Discussion and Analysis

The fund has been in existence for a period of one year therefore there has not been much to compare with the operations of the previous years.

However during this year of operation the fund has made tremendous progress as stated below

Budget Allocation

In the Financial year 2023/2024, the Fund had an approved budget of Kshs 919,869,389 comprising of Kshs 78,617,364 transfers from the County Government and Ksh 841,000,000 receipts from hospitals and public health units. This amount was allocated as follows 97% of the budget was transfers to the Health Facilities and public Health units while 3% of the budget was retained for the fund daily operations translating to Kshs. 892,273,307 and Kshs. 27,596,082 respectively.

Budget Absorption

During the year under review the fund received Kshs. 644,257,649 which is 70% of the budget The actual expenditure was Kshs. 606,207,117 for the transfers to hospitals and Public Health Units and Kshs. 20,210,015 on administrative Costs.

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile –

The Fund was established by an Act of the County Assembly. The County Treasury and Ministry of Health Services as the parent Ministry budgeted for funds to support the funds operations in achieving its mandate.

2. Environmental performance

The Fund adopted the environmental policy of its parent ministry, the Ministry of Health for Kakamega County.

3. Employee welfare

The Fund had staff appointed from its parent ministry of health at the County level who are on Permanent and Pensionable terms or on contract basis. The current staff conform to Public Service hiring and appraisal policies.

The Fund's management conducts weekly/monthly meetings with its staff allowing them to share their success stories and challenges while following the annual work plan. Where possible and when resources allow, the staffs are supported to attend short courses, professional development courses, workshops and seminars to improve their skills and work performance.

The entity is also in compliance with Occupational Safety and Health Act of 2007.

4. Market place practices-

- a) The Fund being a County entity has trained its staff on Code of Conduct of public servants and the Ethics and Anti-corruption Act. It's funded by public funds and ensures high standards of corporate governance.
- b) All fund's staffs conform and adhere to the public service code of conduct and remain neutral to political issues while delivering services to the public.

The fund being a public entity works within structures created by the National and County Governments that govern public procurement. It works within the confines of public procurement act and public finance management act and respects its suppliers and is open to scrutiny in the public procurement process.

5. Corporate Social Responsibility / Community Engagements

The organization did not conduct any Corporate Social Responsibility activities during the financial year in question. However, a lot of community engagements occurred between the staff and community in the course of undertaking their duties.

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11. Report of the Trustees

The Trustees submit their report together with the audited financial statements for the period ending June 30, 2024 which show the state of the Fund affairs.

Principal activities

The principal activity/mission/ mandate of the Fund is to provide for financial autonomy to Health Facilities to raise, retain and use funds generated.

Results

The results of the Fund for the period ending June 30, 2024 are set out on page 1 to page 3

Trustees

The members of the Board of Trustees who served during the year are shown on page iii.

There was no changes in the Board during the financial year

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board


.....
Chair of the advisory Committee

Date: 19/11/2024

12. 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 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 period ending 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.

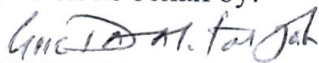
The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. 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 period ending 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.

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

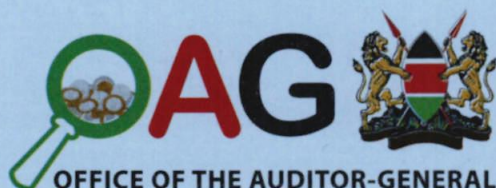
The Fund’s financial statements were approved by the Board on 19/11/24 2024 and signed on its behalf by:



.....
Administrator of the County Public Fund

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY HEALTH SERVICES FUND FOR THE FOURTEEN (14) MONTHS ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on the 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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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

Opinion

I have audited the accompanying financial statements of Kakamega County Health Services Fund set out on pages 1 to 27, which comprise 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, the financial statements present fairly, in all material respects, the financial position of Kakamega County Health Services Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kakamega County Health Services Act, 2022 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Health Services 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.919,869,389 and kshs.644,257,649 respectively, resulting to under-funding of Kshs.275,611,740 or 30% of the budget. Similarly, the Fund expended Kshs.626,417,132 against an approved budget of Kshs.919,869,389 resulting to under-performance of Kshs.293,452,257 or 32% of the budget.

The under-funding and under-performance affected the planned activities 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. There were no key audit matters to report in the year under review.

Other Information

Management is responsible for the other information set out on page iii to xxiv which comprise of Key Entity Information and Management, Governance Statement, forward by the CECM Finance and Economic Planning, Statement of Performance Against County Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund'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, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter described in the Basis for Conclusion, 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

Irregular Withdrawals from the Kakamega County Health Services Fund Account

The statement of financial performance reflects use of goods and services amounting to Kshs.19,994,304 as disclosed in Note 4 to the financial statements. However, approvals from the controller of budget were not sought before spending contrary to Section 36 of the Kakamega County Health Services Act, 2022 which states that the Fund Administrator shall obtain written approval of the Controller of Budget before withdrawing money from the Kakamega County Health Services Fund account.

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

The audit was conducted in accordance with ISSAIs 3000 and 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 and based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAIs 2315 and 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 those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 sustain its 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 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, the 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.

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

governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 ISSAIs 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 also 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 Gathunga, CBS
AUDITOR-GENERAL

Nairobi

27 December, 2024

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30, 2024

14. Statement of Financial Performance for the period ending 30th June 2024

Description	Note	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	252,025	0
Transfers From the County Government	2	78,617,364	0
Total		78,869,389	0
Revenue From Exchange Transactions			
Other Income	3	565,388,260	0
Total Revenue		644,257,649	0
Expenses			
Use of goods and services	4	19,994,304	0
Depreciation and Amortization Expense	5	215,711	0
Transfers	6	606,207,117	0
Total Expenses		626,417,132	0
Other Gains/Losses			
Surplus/(Deficit) for the Period		17,840,517	0

The notes set out on pages 19 to 24 form an integral part of these Financial Statements



.....
Name: David Alila
Administrator of the Fund




.....
Name: Wycliffe Kotonya
Fund Accountant
ICPAK Member Number:28805


Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30, 2024

15. Statement of Financial Position As at 30 June 2024

Description	Note	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	7	239,855	0
Current Portion of Long- Term Receivables From Exchange Transactions	8	19,399,593	0
Total current assets		19,639,448	0
Non-Current Assets			
Property, Plant and Equipment	9	432,069	0
Total non- current assets		432,069	0
Total Assets (A)		20,071,517	0
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	10	2,231,000	0
Total current liabilities		2,231,000	0
Non-Current Liabilities			
Total Liabilities (B)		2,231,000	0
Net Assets (A-B)		17,840,517	0
Represented By:			
Accumulated Surplus		17,840,517	0
Net Assets		17,840,517	0

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 _____ 2024 and signed by:


 Name: Dr. David Alila
 Administrator of the Fund


 Name: Wycliffe Kotonya
 Fund Accountant
 ICPAK Member Number:28805

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30, 2024

16. Statement of Changes in Net Assets for the period ending 30th June 2024

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2022	0	0	0	0
Balance As At 30 June 2023	0	0	0	0
Balance As At 1 July 2023	0	0	0	0
Surplus/(Deficit) For the Period	0	0	17,840,517	17,840,517
Balance As At 30 June 2024	0	0	17,840,517	17,840,517

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30, 2024

17. Statement of Cash Flows for The period Ending 30 June 2024

Description	Note	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public Contributions and Donations	1	252,025	0
Transfers from the county government		59,217,771	0
Other Incomes	3	565,388,260	0
Total receipts		624,858,056	0
Payments			
Use of Goods and services		(17,763,304)	0
Transfers	6	(606,207,117)	0
Net cash flows from operating activities	11	887,635	0
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		(647,780)	0
Net cash flows used in investing activities		(647,780)	0
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0
Additional borrowings		0	0
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash & cash Equivalents		239,855	0
Cash and cash equivalents at 1 July		0	0
Cash and cash equivalents at 30 June		239,855	0

PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.

Transfers from the county government-Transfer from County Government of Kshs. 59,217,771 differs from the total transfers from County Government under Statement of Financial performance since statement of financial performance has recognized receivable of Kshs. 19,399,593

Use of goods of Kshs.17, 763,304 differs from the use of goods reported in the statement of financial performance by Kshs. 2, 231, 000, this amount was not recognised under the statements of cash flows since is a payable and does not involve actual cash movement.

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30, 2024

18. Statement Of Comparison Of Budget And Actual Amounts For the Period of 14 months ending June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Public Contributions and Donations	252,025	0	252,025	252,025	0	100
Transfers From County Govt.	78,617,364	0	78,617,364	78,617,364	0	100
Other Income-Health Facilities	841,000,000	0	841,000,000	565,388,260	275,611,740	67
Total Income	919,869,389	0	919,869,389	644,257,649	275,611,740	70
Expenses						0
Fund Administration Expenses	0	0	0	0	-	0
General Expenses	27,380,371	0	27,380,371	19,994,304	7,386,067	73
Depreciation and Amortization Expense	215,711	0	215,711	215,711	0	100
Transfers	892,273,307	0	892,273,307	606,207,117	286,066,190	68
Total Expenditure	919,869,389	0	919,869,389	626,417,132	293,452,257	68
Surplus For the Period	0	0	0	17,840,517	0	

Budget notes

1. The under collection of Kshs.275,611,740 was Caused by the nationwide doctors strike that slowed down the operations of hospitals
2. The under absorption was caused by non-collection of Kshs. 275,611,740 of which if it was to be collected the management could have spent and absorption rate to increase

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30,
2024

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Kakamega County Health Services Fund is established by and derives its authority and accountability from Health Act. The entity is wholly owned by the Kakamega County Government and is domiciled in Kenya. The principal activity/mission/ mandate of the Fund is to provide for financial autonomy to Health Facilities to raise, retain and use funds generated.

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 cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and	<p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30,
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Discontinued Operations	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.
IPSAS 45- Property Plant and Equipment	Applicable 1st January 2025 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.
IPSAS 46 Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by: <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. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	Applicable 1st January 2026 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.
IPSAS 48- Transfer Expenses	Applicable 1st January 2026 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 to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	Applicable 1st January 2026 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.

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30,
2024

(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.)

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30,
2024

3. 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 28/06/2023. Subsequent revisions or additional appropriations were not made to the approved budget. There were no additional appropriations to the original budget by the entity for FY 2023/2024.

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.

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30,
2024

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 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. Subsequently investment property is measured at fair value with gains and losses recognised through surplus or deficit. 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.

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30,
2024

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. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (Amend as appropriate). 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.

Kakamega County Health Services Fund.
Annual Report and Financial Statements for 14 Months Ending June 30,
2024

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.

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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.

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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. 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.

i) 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.

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Summary of Significant Accounting Policies (Continued)

j) 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.

k) 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.

l) 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.

m) 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.

n) Comparative figures

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

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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.

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.

This Financial statements runs from 8 April 2022 to 30th June 2024 covering a period of 14 month.

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6. Notes To The Financial Statements Continued

1. Public contributions and donations

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Donar Funding-Centre for public Health	100,000	0
Donar Funding-Save children	152,025	0
Total	252,025	0

2. Transfers from County Government

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Transfers From County Govt. –Seed Money	59,217,771	0
Transfers From County Govt. –Pay Ambulance Services	19,399,593	0
Total	78,617,364	0

3. Other income

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Receipts From NHIF	308,292,884	0
Receipts from Hospital revenue	230,910,172	0
Receipts from PHOs	26,185,205	0
Total Other Income	565,388,260	0

4. Use of Goods and Services

Description	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
Admiration expenses	14,595,338	0
Committee Allowances	2,788,200	0
Bank Charges	145,063	0
General Office Expenses	174,703	0
Catering services expenses	2,231,000	0
Telephone and Communication Expenses	60,000	0

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Description	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
Total	19,994,304	0

5. Depreciation and Amortization Expense

Description	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
Property Plant and Equipment	215,711	0
Total	215,711	0

6. Transfers

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Transfers to Level 4 and 5 Hospitals	532,803,711	0
Transfers to PHOs	24,045,084	0
Transfers to Level 2 and 3 Hospitals	5,232,526	0
Payments made on behalf of Hospitals	44,125,796	0
Total	606,207,117	0

7. Cash and cash equivalents

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Current Account	239,855	0
Total Cash And Cash Equivalents	239,855	0

Kakamega County Health Services Fund.
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Notes to the Financial Statements Continued

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

Financial Institution	Account number	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
a) Current Account			
Family Bank	78000059667	239,855	0
Sub- Total		239,855	0

8. Receivables from exchange transactions

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Current Receivables		
Transfers due from the County Government	19,399,593	0
Total Current Receivables	19,399,593	0

Kakamega County Health Services Fund.
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Notes To The Financial Statements (Continued)

9. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2022	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Transfers/Adjustments	0	0	0	0	0
At 30th June 2023	0	0	0	0	0
At 1st July 2023	0	0	0	0	0
Additions	0	0	0	647,780	647,780
Disposals	0	0	0	0	0
Transfer/Adjustments	0	0	0	0	0
At 30th June 2024	0	0	0	647,780	647,780
Depreciation And Impairment					
At 1 st July 2022	0	0	0	0	0
Depreciation	0	0	0	0	0
Impairment	0	0	0	0	0
At 30th June 2023	0	0	0	0	0
At 1st July 2023	0	0	0	0	0
Depreciation	0	0	0	215,711	215,711
Transfer/Adjustment	0	0	0	0	0
At 30th June 2024	0	0	0	0	0
Net Book Values	0	0	0	0	0
At 30th June 2023	0	0	0	0	0
At 30th June 2024	0	0	0	432,069	432,069

The Depreciation rates adopted by Kakamega County Health Services Fund are 25% Annually on Motor vehicle, 12.5% Annually on Furniture and fittings, 33.3% Annually on Computer and office equipment. The Fund depreciates the assets on a reducing Balance Method.

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Notes To The Financial Statements (Continued)

10. Trade and other payables from exchange transactions

Description	FY 2023/2024		FY 2022/2023	
	Kshs		Kshs	
Trade Payables	2,231,000		0	
Total Trade and Other Payables	2,231,000		0	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	2,231,000	100%	0	%
1-2 years	0	0%	0	%
2-3 years	0	0%	0	%
Over 3 years	0	0%	0	%
Total (tie to above total)	2,231,000		0	

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Notes To The Financial Statements (Continued)

11. Cash generated from operations.

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	17,840,517	0
Adjusted For:		
Depreciation	215,711	0
Working Capital Adjustments		
Increase In Receivables	(19,399,593)	0
Increase In Payables	2,231,000	0
Net Cash Flow From Operating Activities	887,635	0

Kakamega County Health Services Fund.
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Notes To The Financial Statements (Continued)

12. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Transfers From Related Parties'	59,217,771	0

c) Due from related parties

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Due From Parent Ministry	19,399,593	0
Total	19,399,593	0

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Notes To The Financial Statements (Continued)

13. 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 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.

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Notes To The Financial Statements (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.

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.

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

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sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

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.

14. Events after the reporting period

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

15. Ultimate and Holding Entity

The entity is a County Public Fund established by Health Act under the Ministry of Health Services. Its ultimate parent is the County Government of Kakamega.

16. Currency

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

Kakamega County Health Services Fund.
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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

There was no expenses related to Climate change

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Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

There was no expenses related to Disaster management