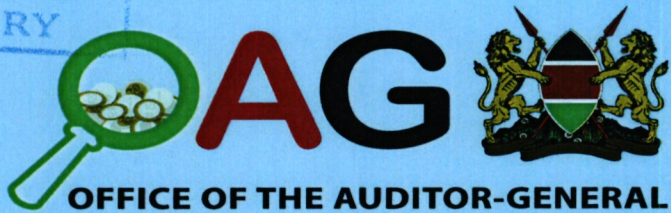


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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**KAKAMEGA COUNTY MATERNAL CHILD
HEALTH AND FAMILY PLANNING FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**



COUNTY GOVERNMENT OF KAKAMEGA



**IMARISHA AFYA YA
MAMA NA MTOTO**



**COUNTY GOVERNMENT OF KAKAMEGA
(MATERNAL CHILD HEALTH AND FAMILY PLANNING FUND)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021

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



The Kakamega County Maternal Child Health and Family Planning Fund
Reports and Financial Statements
For the year ended June 30th, 2021

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The Kakamega County Maternal Child Health and Family Planning Fund

Reports and Financial Statements

For the year ended June 30th, 2021

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

The key objective of the fund is to reduce maternal and under five mortalities through use of social cash transfers with a visible platform.

The Fund receives its funds from the Ministry of Health Services after approval by the Chief Officer Health Services.

b) Principal Activities

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

- a) promotion of the health of the mother and child from conception to the time the child achieves the age of eighteen months,
- b) promotion of family planning,
- c) creation of awareness on HIV/AIDs,
- d) Improving nutrition status of mothers and children below the age of eighteen months.

c) Board of Trustees/Fund Administration Committee

Ref	Position	Name	the date of birth	years of work experience	academic qualifications
1	Chief Officer Health Services	Mr. Fanuel W. Angaya	01/01/1961	40	MBA (Accounting); B.com (Accounting); CPA (K); CS.
2	Chief Officer Finance	Amb. CPA James B. Ochami	01/01/1962	40	MSc. Entrepreneurship; Bsc. Botany & Zoology; Post graduate Diploma in Entrepreneurship.
3	Fund Manager	Ms Muyuka Antoinette	01/01/1987	10	BSc. Communication and Public Relations.



The Kakamega County Maternal Child Health and Family Planning Fund
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For the year ended June 30th, 2021

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Ms Muyuka Antoinette
2	Fund Accountant	Ms Sheila Mukanzi

e) Fiduciary Oversight Arrangements

No.	Entity	Role
1.	County Assembly of Kakamega	<ul style="list-style-type: none"> • Legislation • Oversight • Representation
2.	Kakamega County Executive Audit Committee	<ul style="list-style-type: none"> • Monitoring and reviewing risk, • control and governance • processes that have been established
3.	Senate Public Accounts and Investments Committee	<ul style="list-style-type: none"> • Legislation • Oversight • Representation
4.	Development Partners	<ul style="list-style-type: none"> • Hold to account on accountability
5.	Office of the Auditor General	<ul style="list-style-type: none"> • Oversight and advisory • Accountability • Express opinion on Books of account. • Offer quality assurance on fiscal and monetary matters



The Kakamega County Maternal Child Health and Family Planning Fund
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6.	Civil Societies	<ul style="list-style-type: none">• Public participation• Oversight
----	-----------------	--

f) Registered Offices

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

g) Fund Contacts

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

h) Fund Bankers

Kenya Commercial Bank
Kenyatta Avenue
Kakamega
P.O Box 152 - 50100
Kakamega-Kenya

i) Office of the Auditor General

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

j) Principal Legal Advisor

County Attorney
County Head Office
Kakamega town
P.O. Box 36-50100
Kakamega, Kenya



The Kakamega County Maternal Child Health and Family Planning Fund
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2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

Ref	Position	Name	the date of birth	years of work experience	academic qualifications
1	Chief Officer Health Services	Mr. Fanuel W. Angaya	01/01/1961	40	MBA (Accounting); B.com (Accounting); CPA (K); CS.
2	Chief Officer Finance	Amb. CPA James B. Ochami	01/01/1962	40	MSc. Entrepreneurship; Bsc. Botany & Zoology; Post graduate Diploma in Entrepreneurship.
3	Fund Manager	Ms Muyuka Antoinette	01/01/1987	10	BSc. Communication and Public Relations.



The Kakamega County Maternal Child Health and Family Planning Fund
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For the year ended June 30th, 2021

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Introduction

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

The key objectives of County Government of Kakamega Maternal Child Health and Family Planning Fund plan are to:

- a) promotion of the health of the mother and child from conception to the time the child achieves the age of eighteen months,
- b) promotion of family planning,
- c) creation of awareness on HIV/AIDs,
- d) Improving nutrition status of mothers and children below the age of eighteen months.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Fund	Objective	Outcome	Indicator	Performance
Kakamega County Maternal Child Health and Family Planning Fund	a) To provide a framework for cash transfers of authorised payment to needy mothers registered in The Kakamega County Maternal Child Health and Family	Ongoing registration of mothers to the fund	Number of mothers registered	13,205 mothers registered this financial year 2020/2021 from 4,599 in the last financial year 2019/2020. Out of the 13,205; 4,142 are ineligible and don't qualify for cash transfer. This is a 134% increase from the last year



The Kakamega County Maternal Child Health and Family Planning Fund

Reports and Financial Statements

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Planning Fund				
b)	Provide a platform aimed at giving incentives to expectant and lactating mothers to access health services	Using the Management Information System to increase access of the fund to mothers	Improvement of the management information system	9,063 mothers have been validated in this financial year. This number includes mothers who have been registered in 2019/2020. The fund had an expansion in March 2021, We had an additional 14 new facilities. The Upgrade of the Management Information system was completed and registration is on-going in the 14 new facilities
c)	Increase family planning uptake	Conducting sensitization meetings on family planning uptake	Expansion of the fund to 14 facilities Number of mothers sensitized	2,860 mothers across the 39 health facilities have been sensitized on family planning uptake
d)	Create awareness on transmission, prevention and control of HIV/AIDS	Conducting sensitization meetings on HIV/AIDS awareness	Number of mothers sensitized	2,860 mothers across the 39 health facilities have been sensitized HIV/AIDS



The Kakamega County Maternal Child Health and Family Planning Fund
Reports and Financial Statements
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4. MANAGEMENT TEAM

Ref	Name	Details of qualifications and experience
1	Amb. CPA James B. Ochami	MBA (Accounting); B.com (Accounting); CPA (K) and CS
2	Mr. Fanuel A.Wemali	MSc. Entrepreneurship; Bsc. Botany & Zoology; Post graduate Diploma in Entrepreneurship
3	Ms. Muyuka Antoinette	BSc. Communication and Public Relations



5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

The Kakamega County Maternal Child Health and Family Planning Fund (KCMCHFPPF) is a county fund established under the Kakamega County Maternal Child Health and Family Planning Act 2017. Inception of this fund in 2014 was informed by the state of maternal child health in Kakamega county, in which the county was ranked 5th in maternal and neonatal mortalities nationally. Kakamega was the 2nd most populous County in Kenya after Nairobi County with a population of 2,073,926 with more than half the population being women and of child-bearing age. Measures to address and reverse these trends informed the County Government's initiative to launch a maternal child health fund to address accessibility to skilled health services and knowledge gaps, which emerged as barriers to access of maternal child health services.

Since the establishment of the fund, the uptake for 1st and 4th Antenatal Clinic Visits in the County's health facilities has been tremendous as 408,889 and 254,182 mothers respectively have shown up. Consequently, full immunization of 398,430 children under 1 year, skilled delivery of 329,044 expectant mothers and family planning uptake of 1,579,270 have shown significant growth.

The fund was piloted in 25 facilities; these were 2 health facilities with the highest number of deliveries per Sub County and the County General Hospital. In order to increase access of mothers, the program has expanded to 14 new facilities. To improve efficiency, the fund has provided ICT equipment (computers and software) for registration with support from UNICEF, further the fund has recruited data entry clerks whose responsibility is to ensure mothers in these facilities are registered.

KCMCHFPPF alongside the legal department amended the Kakamega County Maternal Child Health and Family Planning Act 2017 incorporating, qualifications for appointment of the fund committee, roles of the fund administrator and identification of beneficiary mothers who do not have national identity cards. The Kakamega County Maternal Child Health and Family Planning (amendment) Act, 2020 was assented to by H.E the Governor on the 16th of June 2021.



The Kakamega County Maternal Child Health and Family Planning Fund
Reports and Financial Statements
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Following this amendment, the KCMCHFPP's mandate has been revised with community health services being anchored under the Health Services Bill 2020.

KCMCHFPP has finalized working on the re-design model to improve delivery of services and ensure its sustainability. The re-design informed the upgrade of the management information system, streamlining fund registration, validation, and enrolment processes. The re-design proposes to use County Administrative structures in household validation of beneficiaries. During registration mothers are mapped to their community areas easing tracing processes at community validation stage. Community administrators will coordinate community validation while ward administrators will support complaints and grievances teams and identification of mothers without identity cards.

KCMCHFPP acknowledges the immense support received from UNICEF by contributing equipment including computers for the 14 new facilities and 100 tablets for community validation; facilitating training administrators on validation and complaints and grievances, training of data clerks and nurses for the additional 14 health facilities and amendment of Kakamega County Maternal Child Health and Family Planning Act 2020. KCMCHFPP is striving to work with other key stakeholders and partners in the County to pool enough resources to improve maternal child health in Kakamega County.

Signed: 

Sheila Mukanzi

Fund Administrator



6. REPORT OF THE FUND MANAGER

The funds' original budget was Kshs 100M but reduced to 80M through a supplementary budget because of reduction in government spending through budget cut. During the year the County Treasury released 20M for operations in addition to the balance brought forward which allowed for fund's operations. The monies received were utilized majorly on; Cash Transfers to qualifying mothers, staff costs and General expenses as indicated in the income statement as well as assets acquired by the fund.

Since the establishment of the Fund, 14 more facilities have been added to the program making the number of health facilities that we collaborate with to 39, this have been achieved by recruitment of new program administrator, data clerks and nurses to facilitate more mothers to be registered and increase uptake of program activities. In addition to the above milestone, the fund has developed a new management information system to facilitate smooth running of the program's registration to payment processes thereby assurance of efficiency as well as the amendment of the Kakamega County Maternal Child Health and Family Planning Act 2020 to review the qualification of Fund committee members and roles of fund administrator.

Since the inception of this program, with the support of the County treasury, the program has managed to register and pay qualifying beneficiary mothers' up-to 34,434 and disbursed Ksh 413,213,394 of which Ksh 11,314,037 relates to the year 2020/2021.

Mandate

The Fund derives its powers from The Kakamega County Maternal Child Health and Family Planning Act 2017, besides the constitution of Kenya.

Its core functions are:

- a) promotion of the health of the mother and child from conception to the time the child achieves the age of eighteen months,
- b) promotion of family planning,
- c) creation of awareness on HIV/AIDS,
- d) Improving nutrition status of mothers and children below the age of eighteen months.



**The Kakamega County Maternal Child Health and Family Planning Fund
Reports and Financial Statements**

For the year ended June 30th, 2021

Management of funds

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

- a) Paying registered needy pregnant mothers at the scheduled points of care,
- b) Support operations and managements of the Fund,
- c) Support Family Planning activities,
- d) Support HIV/AIDs prevention activities

Signed: _____



Ms Muyuka Antoinette

Manager of the Fund

7. CORPORATE GOVERNANCE STATEMENT

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

Appointment;

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

Removal from the office;

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

- a) for gross misconduct,
- b) violation of the constitution or any other law,
- c) prolonged mental or physical infirmity,
- d) on being declared bankrupt by a court of law,
- e) upon death, and
- f) Upon missing three consecutive meetings without lawful reasons.

Roles and functions of the committee;

They are as described in Kakamega County Maternal Child Health and Family Planning section

11

Fund Administrator

The Kakamega County Maternal Child Health and Family Planning Fund

Reports and Financial Statements

For the year ended June 30th, 2021

12. 1) The executive committee member for finance shall designate a person responsible for administration of the Fund.
- 2) The Fund Administrator shall be responsible for the running of the day-to-day activities of the Fund.
- 3) The Fund administrator may be seconded from a relevant department within the county government or competitively recruited.
- 4) A person designated as the Fund administrator shall possess at least a degree from a university recognised in Kenya and five years working experience in management of development or government funds.
- 5) The Fund administrator shall serve for a period of four years and may be eligible for reappointment for one further term upon satisfactory performance.
- 6) The Fund administrator shall be employed on such terms and conditions of service as the County Public Service Board may determine in line with the Salaries and Remuneration Commission guidelines.



8. MANAGEMENT DISCUSSION AND ANALYSIS

In the 2020/2021 fiscal year, the KCMCHFPPF registered 13,205 mothers to the fund of which 9,063 mothers were validated and 3,263 were enrolled as beneficiaries which translates to a 53% increase in mothers registered from 6,250 mothers in 2019/2020. The fund also takes into consideration teenage mothers who accounted for 464 of the registered mothers. During registration mothers without identity cards or passport totaling to 1,267 were allowed to use Chiefs' letter as an identification tool. The fund conducted community validation, which involved household visits to potential beneficiaries to verify the information they submitted using community volunteers electronically via tablets with a preinstalled application that is linked to the mother registration portal. Out of the validation exercise 4,674 mothers had high variance and were eliminated from the beneficiary enrolment process. 1,126 had medium variance and were scheduled for monitoring and Evaluation spot-check validation while 3,263 had low variance and were scheduled for enrolment.

The fund paid Kshs. 11,314,037 to mothers in this fiscal year. This was 50% of the allocated funding for payment to mothers. Kshs 20,200,477 is due to mothers who are still in the payment cycle. The Fund carries out sensitization campaign and in the year under review we sensitized 2,860 mothers on the maternal health, child health, family planning, nutrition and HIV as per the KCMCHFPPF mandate as well as civic education on the importance of birth / death registration, importance of getting identity cards and economic empowerment. Mothers in the KCMCHFPPF get reminder messages for their clinic visits, and messages about nutrition and why immunization is important for their children.

The KCMCHFPPF conducted trainings for (i) Ccounty Aadministrative Sstructures on community validation, and complaints and grievances management (ii) data clerks and nurses on complaints and grievances management and (iii) data clerks and nurses from the new health facilities on KCMCHFPPF processes and use of the management information system for registration of mothers. The KCMCHFPPF had 4 corporate social responsibility activities involving beneficiary mothers and staff. They were; cleaning of Mumias Model Health Facility, reproductive health talk in school and a reproductive health talk on community health teenage pregnancies in Ikolomani Sub-county.

The Kakamega County Maternal Child Health and Family Planning Fund
Reports and Financial Statements
For the year ended June 30th, 2021

The KCMCHFPPF amended the Kakamega County Maternal Child Health and Family Planning Act 2017. The highlights of the amendment include review of qualifications and appointment of fund committee members, roles of the fund administrator and identification of mothers without national identity cards. The amendment revised the mandate of the KCMCHFPPF to allow for community health services to be anchored in the Kakamega County Health Services Bill. The amendment was assented to on the 16th of June 2021 by H.E. the Governor. The KCMCHFPPF has started the process of implementing the amendments that have been enacted.

There has been an increase in the number of adolescent pregnancies in the county with 17489 teenage mothers in 2019 and 24,161 teenage mothers reported in 2020. The fund has registered 689 teenage mothers. The fund has conducted reproductive health education at Silungai Girls Secondary School and had Focused group discussions with adolescent mothers to get insights on teenage pregnancy while at the same time giving them health education.

The fund was not received out of the budgeted Kshs 80,000,000. Kshs. 28,222,196 was spent on fund implementation while Kshs. 2,406,564 was spent on administrative costs. Kshs. 3,070,951 was spent on social policy. This is because the fund had training of nurses and data clerks on complaints & grievances, focused group discussions with underage mothers, and printing of fund registers. KShs 13,649,935 was spent on monitoring and evaluation because the fund conducted community validation of registered mothers, quarterly review meetings, and quarterly support supervisions. Kshs 2,219,460 was spent on MIS management and the cost for communication was Kshs 1,721,060. Overall, the expenditure of the fund was Kshs 46,018,467 after incorporating support from UNICEF and inclusion of non-monetary expenditure of depreciation of Kshs 3,503,126.



9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The fund staff participated in reproductive health talks at Ikolomani sub-county at both the community and school level involving School going pregnant teenagers and teenage mothers out of School. The Sub- County was chosen due to the high number of teenage pregnancies. The objective of the activity was to educate the girls on reproductive health, personal hygiene, peer pressure and teenage pregnancy. The fund also conducted a reproductive health talk at Silungai Girls secondary school which had 28 pregnancies.

Cleaning of Mumias Model Health Facility was conducted in the 1st quarter. This activity involved fund staff, nurses, data clerks, CHVs, community administrators and beneficiary mothers. The fund through the Management Information System sends out reminder text messages and makes follow up calls to beneficiary mothers about the need to continue to take their children for full immunization even in the midst of coronavirus. In line with that they have been sensitized and encouraged to follow the set protocols and standard procedures by the Ministry of Health and world health organization on the prevention of the spread of coronavirus by frequent hand washing, maintaining social distancing and wearing masks at all-time whenever they are in public places.

1. Sustainability strategy and profile

The fund having been enacted through a legislative framework has been receiving support from the County Treasury and a collaborative framework with UNICEF. For long term sustainability the fund will be conducting local and international partner mapping to arrange areas of support.

2. Environmental performance

The fund having achieved great milestone, it also faced with challenge among them; the allocated resource is not given in full, mothers are budgeted for in the year of registration yet the case management of mothers' spans for three years. The fund administration has come up with a road map to mitigate on the challenges as follows; Upgrade of the system to incorporate forecast

The Kakamega County Maternal Child Health and Family Planning Fund

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For the year ended June 30th, 2021

payment, Linkage program on social protection of vulnerable mothers, Economic empowerment of exiting mothers and Civil education.

The Kakamega County Maternal Child Health and Family Planning Fund
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For the year ended June 30th, 2021

10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by (The Fund should state the appropriate legislation establishing the Fund) 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, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (quote the applicable legislation establishing the County Public Fund). 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, 2021, 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.

The Kakamega County Maternal Child Health and Family Planning Fund
Reports and Financial Statements

For the year ended June 30th, 2021

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

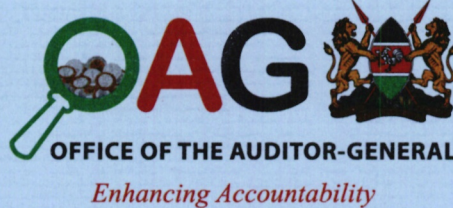
The Fund's financial statements were approved by the Board on _____ 2021 and signed on its behalf by:

Name:

Chairman of the Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 KAKAMEGA COUNTY MATERNAL CHILD HEALTH AND FAMILY PLANNING FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purposes.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kakamega County Maternal Child Health and Family Planning Fund set out on pages 22 to 48, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial

Report of the Auditor-General on Kakamega County Maternal Child Health and Family Planning Fund for the year ended 30 June, 2021

performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kakamega County Maternal Child Health and Family Planning Fund as at 30 June, 2021, 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 Public Finance Management Act, 2012 and the Kakamega County Maternal Child Health and Family Planning Act, 2017.

Basis for Qualified Opinion

Unsupported Mpesa Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.21,332,308 which, as disclosed in Note 7 to the financial statements, includes an amount of Kshs.1,974,363 held in Mpesa account. However, the balance was not supported by an Mpesa statement as at 30 June, 2021.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.21,332,308 as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Maternal Child Health and Family Planning 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 qualified 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.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects an approved receipts budget of Kshs.90,392,442 and actual receipts of Kshs.10,392,442 or 11%. However, no explanation was provided for the shortfall of Kshs.80,000,000. This may have impacted negatively on achieving the objective for which the Fund was established.

In addition, the statement reflects actual receipts of Kshs.10,392,442 and actual expenditure of Kshs.44,875,500 resulting to over expenditure of Kshs.34,483,058. However, the source of the extra funding of Kshs.34,483,058 to finance the over-expenditure was not explained.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Outstanding Imprests

The statement of financial position reflects a balance of Kshs.1,911,790 in respect to accounts receivables which, as disclosed in Note 6 to the financial statements, includes an amount of Kshs.80,000 relating to outstanding imprest as at 30 June, 2021. However, records maintained by the Fund indicate that the imprest had been outstanding for two years. No explanation was provided on why the Fund had not recovered the imprest from the defaulting officers. This is contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My

conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 July, 2022

The Kakamega County Maternal Child Health and Family Planning Fund

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For the year ended June 30th, 2021

12 FINANCIAL STATEMENTS

12.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021

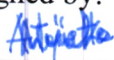
	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	10,392,442	-
Transfers from the County Government	2	-	64,476,000
Total revenue		10,392,442	64,476,000
Expenses			
Cash Transfer to Mothers	3	11,314,037	23,126,820
Staff costs	4	615,542	4,948,967
General expenses	5	32,945,921	14,826,605
Total expenses		44,875,500	42,902,392
Surplus/(deficit) for the period		(34,483,058)	21,573,608

The notes set out on pages 41 to 47 form an integral part of these Financial Statements

12.2 STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2021

	Note	FY2020/2021 KShs	FY2019/2020 KShs
Assets			
Current assets			
Cash and cash equivalents	8	21,244,499	58,877,317
Accounts Receivables	7	1,999,599	105,000
Non-current assets			
Property, plant and equipment	9	6,122,126	4,866,965
Total assets		29,366,225	63,849,282
Liabilities			
Current liabilities			
Payables to mothers	10	-	13,272,231
Non-current liabilities			
Total liabilities		-	13,272,231
Net assets			
Capital Balance		31,012,934	31,012,934
Accumulated surplus	-	14,918,940	19,564,117
Prior Year Adjustment		13,272,231	
Total net assets and liabilities		29,366,225	63,849,282

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 10/09/2021 and signed by:



Program Manager

Name: **Muyuka Antoinette**



Fund Accountant

Name: **Sheila Mukanzi**

ICPAK Member Number: **29261**

12.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30th June 2021

	Capital balance	Accumulated surplus	Total
		KShs	KShs
			-
Balance as at 1 July 2019	31,012,934	(2,009,491)	29,003,443
Surplus/(deficit) for the period	-	21,573,608	21,573,608
Funds received during the year	-	-	-
Revaluation gain	-	-	-
Balance as at 30 June 2020	31,012,934	19,564,117	50,577,051
Balance as at 1 July 2020	31,012,934	19,564,117	50,577,051
Surplus/(deficit) for the period	-	(34,483,058)	(34,483,058)
Funds received during the year	-	-	-
Revaluation gain	-	-	-
Balance as at 30 June 2021	31,012,934	(14,918,940)	16,093,994

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12.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30th June 2021

	Not e	FY2020/202 1	FY2019/202 0
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	10,392,442	-
Transfers from the County Government	2	-	64,476,000
Total Receipts		10,392,442	64,476,000
Payments			
Cash Transfer to Mothers	3	(11,314,037)	(23,126,820)
Staff costs	4	(615,542)	(4,948,967)
General expenses	5	(32,945,921)	(14,826,605)
Depreciation		3,491,989	2,316,338
Total Payments		(41,383,511)	(40,586,054)
cash flows from operating activities		(30,991,069)	23,889,946
(Increase)/decrease in account receivables	7	(1,894,599)	(105,000)
Increase/(decrease) in payables	10	(13,272,231)	13,272,231
Net cash flows used in operating activities		(46,157,899)	37,057,177
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	9	(4,747,150)	-
Net cash flows used in investing activities		(4,747,150)	
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(50,905,049)	37,057,177
Prior Year Adjustment	11	13,272,231	-
Cash and cash equivalents at 1 JULY		58,877,317	21,820,140
Cash and cash equivalents at 30 JUNE	8	21,244,499	58,877,317

Prior adjustment has been occasioned for the reason that Ksh 13,272,231 was expensed financial year 2018/2019 and carried forward as a balance payable to mothers in financial year 2019/2020. This amount was still in the M-Pesa account and was treated as an asset i.e. cash and cash equivalent.

12.5 Statement of Comparison of Budget and Actual Amounts for the Period Ended 30th June 2021

Receipt/Expense Item	PROPOSED BUDGET	ADJUSTED BUDGET	SUPPLEMENTARY	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	2020/2021	2020/2021	2020/2021	2020/2021	2020/2021	2020/2021	2020/2021
RECEIPTS							
Public contributions and donations	10,392,442	10,392,442		10,392,442	10,392,442	10,392,442	100
Transfers from county govt.	121,820,140	100,000,000	- 20,000,000	80,000,000	-	80,000,000	-
TOTAL	132,212,582	110,392,442	- 20,000,000	90,392,442	10,392,442	90,392,442	11
EXPENSES							
Staff costs	615,542	615,542	-	615,542	615,542	615,542	100
Communication For Development	4,102,000	2,626,400	-	1,720,000	1,711,060	1,711,060	99
Social Policy	5,005,564	3,600,000	-	3,506,400	3,070,951	3,070,951	88
System Administration And Management	4,344,576	3,500,000	-	3,500,000	889,581	889,581	25
Program Redesign And Launch	3,653,600	1,653,600	-	927,209	847,000	847,000	91
cash transfer to mothers	86,000,000	70,000,000	20,000,000	50,000,000	11,314,037	11,314,037	23
Monitoring and Evaluation	15,064,400	15,000,000	-	15,000,000	12,361,018	12,361,018	82
Administration	3,000,000	3,000,000	-	3,000,000	4,106,532	4,106,532	137
Depreciation	3,503,126	3,503,126	-	3,229,517	3,491,989	3,503,126	108
UNICEF Support	6,713,790	6,713,790	-	6,713,790	6,467,790	6,713,790	96
Total expenditure	121,785,682	110,212,458	20,000,000	88,212,458	44,875,500	34,915,721	51
Surplus for the period					(34,483,058)		

•
Budget notes

1. *Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14*

-No funds transferred due to late disbursement

2. *Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)*

-Waiting for directives from the treasury

13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

1. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments : Applicable: 1st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have

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<p>impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p>	<p>Non-Cash Generating Assets and neither did it have impaired cash generating assets.</p>
<p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>	<p><i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i></p>

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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.

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Standard	Effective date and impact:
	<i>(State the impact of the standard to the entity if relevant)</i>
IPSAS 42: Social Benefits	Applicable: 1st January 2022 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: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <i>(State the impact of the standard to the entity if relevant)</i>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2022: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

1. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

2. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 30th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations after second supplementary for the FY 2020/2021 budget following the governing body's approval.

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

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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 12.5 of these financial statements.

3. Property, plant and equipment

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

The depreciation policy used is the one adopted from KRA wear and tear allowances which are charged on capital expenditure on machinery and equipment, where they are classified into five classes all of which are offered the allowances at different rates. The rate used are purely for the purpose of calculating depreciation and are presented for information purpose only.

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

Class 4 - e.g. telephone sets, switch boards, bicycles. The rate is 12.5%.

2. 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.

3. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

b) 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

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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.

4. 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.

5. 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.

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

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

Contingent liabilities

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

Contingent assets

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

6. Nature and purpose of reserves

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

7. 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.

8. 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

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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.

9. Foreign currency transactions

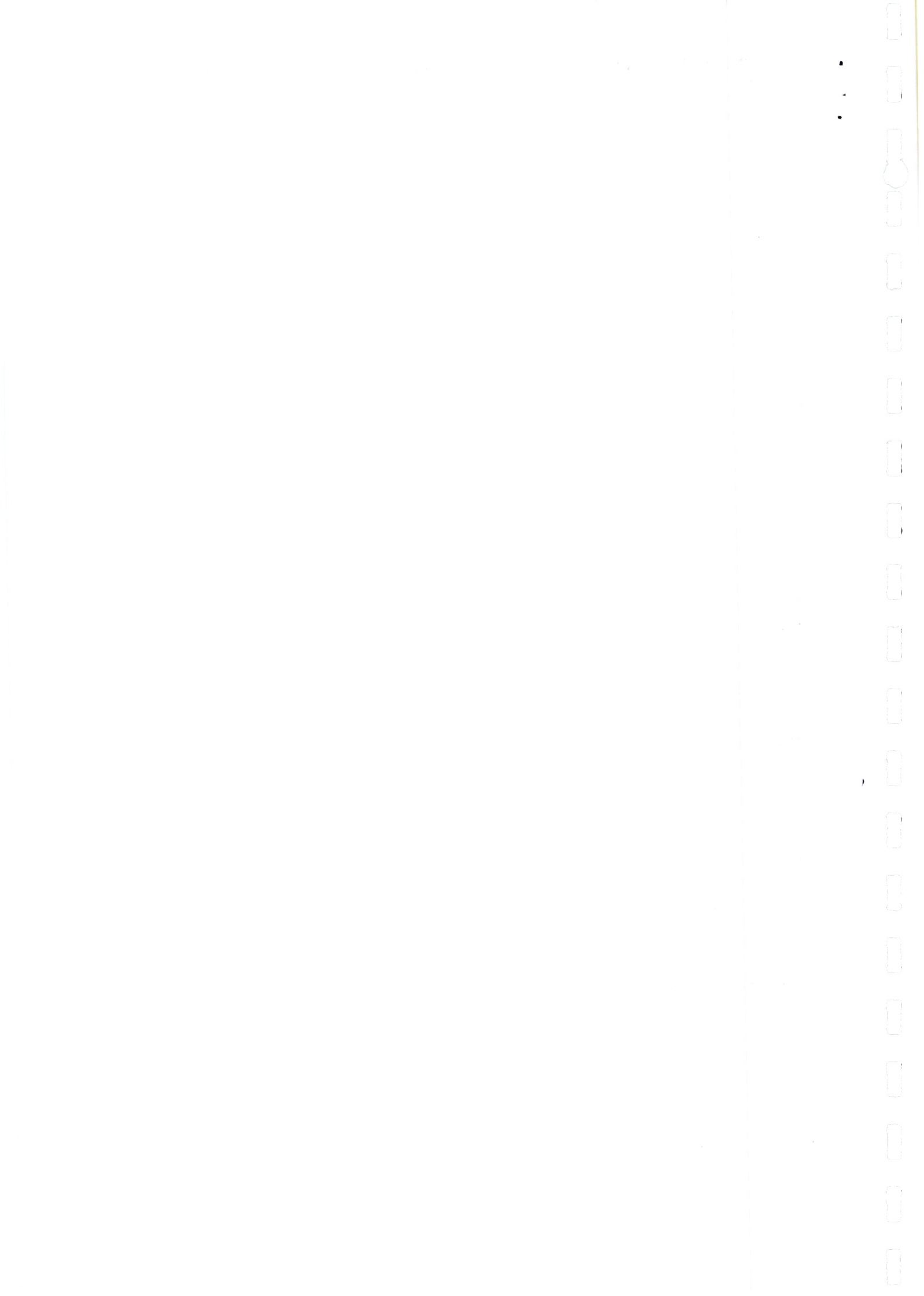
Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange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

10. 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.

11. 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/Trustee, the Fund Managers and Fund Accountant.



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12. 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 (*Remove if not applicable*) 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.

13. Comparative figures

Where necessary comparative

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

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 The Kakamega County Maternal Child Health and Family Planning Act under the Department of Health Services. Its ultimate parent is the County Government of Kakamega.

16. Currency

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

17. 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.

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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:

1. The condition of the asset based on the assessment of experts employed by the Entity
2. The nature of the asset, its susceptibility and adaptability to changes in technology and processes
3. The nature of the processes in which the asset is deployed
4. Availability of funding to replace the asset
5. 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.

18. 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

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levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

a) Credit risk

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

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

b) Liquidity risk management

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

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an 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.

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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.

d) Foreign currency risk

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

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

e) 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.

f) 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:

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	FY 2020/2021	FY 2019/2020
	KShs	KShs
Capital Balance	31,012,934	31,012,934
Accumulated surplus	(14,398,297)	19,564,117
Prior Adjustment	13,272,231	-
Total net assets and liabilities	29,886,868	63,849,282

14. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Donation from development partners (UNICEF)	6,713,790	-
Donation from UNICEF (Assets)	3,678,652	-
Total	10,392,442	-

(Donation include funds contributed to support program activities and supply of computers and tablets for 14 facility expansion)

2. Transfers from County Government

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Transfers from County Govt. – operations	-	60,000,000
Payments by County on behalf of fund	-	4,476,000
Total	-	64,476,000

3. Cash Transfer to Mothers

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Transfers from County Govt. – operations	11,289,037	23,126,820
Payments by County on behalf of fund	25,000	104,677
Total	11,314,037	23,231,497

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4. Staff costs

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Staff gratuity	615,542	472,967
Staff salary paid on behalf	-	4,476,000
Total	615,542	4,948,967

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. General expenses

UNICEF SUPPORT	FY2020/2021	FY2019/2020
daily subsistence	2,013,000	-
Conference	3,725,000	-
Telephone	150,000	-
Printing	579,790	-
Total	6,467,790	-

Communication For Development Expenses	FY2020/2021	FY2019/2020
daily subsistence	1,481,060	1,196,250
stationaries and supplies	-	36,000
Printing	230,000	462,125
Total	1,711,060	1,694,375

Social Policy Expenses	FY2020/2021	FY2019/2020
Daily subsistence	3,070,951	414,300
stationaries and supplies	-	215,000
Total	3,070,951	629,300

System Administration And Management Expenses	FY2020/2021	FY2019/2020
Conference	-	740,000
computer accessories	-	130,030
Daily subsistence	270,200	700,850
Stationaries and supplies	499,381	403,000
Telephone	120,000	218,000
Total	889,581	2,191,880

Program Redesign And Launch Expenses	FY2020/2021	FY2019/2020
Office stationaries and supplies	24,000	20,000
Conference	177,500	-
Daily Subsistence	645,500	663,600
Total	847,000	683,600
Monitoring and Evaluation Expenses	FY2020/2021	FY2019/2020
Conference	1,668,068	104,500

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Printing	1,453,079	-
Daily Subsistence	6,141,902	2,271,450
Telephone	3,097,969	1,551,093
Total	12,361,018	3,927,043

Administration Expenses	FY2020/2021	FY2019/2020
bank charges	39,449	11,070
catering services	649,750	381,212
Printing	86,500	-
computer maintenance	-	66,300
Conference	-	70,000
Daily subsistence	1,015,900	1,402,800
Fuel	393,183	500,000
stationaries and supplies	1,588,192	641,115
motor vehicle insurance	7,574	7,574
motor vehicle maintenance	290,584	194,298
Other fuel	-	1,000
Cleaning Materials	-	35,500
Travel costs	-	62,000
Office maintenance	35,400	11,200
Total	4,106,532	3,384,069

Asset depreciation	FY2020/2021	FY2019/2020
	KShs	KShs
Moto vehicle	484,447	227,143
Furniture and fittings	162,566	3,808,065
Computer and accessories	2,844,976	968,894
Total	3,491,989	2,316,338

Grand Total	44,875,500	42,902,392
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6. Accounts Receivable

Description	FY2020/2021	FY2019/2020
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	KShs	KShs
Pre-paid fuel	87,809	-
UNICEF	1,743,981	-
Imprest	80,000	105,000
Total	1,911,790	105,000

7. cash and cash equivalents

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Current account	19,357,945	45,605,086
M-pesa	1,974,363	13,272,231
Total cash and cash equivalents	21,332,308	58,877,317

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

		FY2020/2021	FY2019/2020
Financial institution	Account number	KShs	KShs
c) Current account			
Kenya Commercial bank	1148241272	19,357,945	45,605,086
Sub- total		19,357,945	45,605,086
d) Others(specify)			
Short term cash imprest			105,000
M-Pesa	823510	1,974,363	13,272,231
Sub- total		1,974,363	13,377,231
Grand total		21,332,308	58,982,317

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Property, plant and equipment

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	Land and Buildings	Furniture	Computer	Motor Vehicle	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2019	-	1,009,525	6,923,755	1,937,788	9,871,068
Additions	-	-			
Disposals	-	-			
Transfers/adjustments	-	-			
At 30th June 2020	-	1,009,525	6,923,755	1,937,788	9,871,068
					-
At 1st July 2020	-	1,009,525	6,923,755	1,937,788	9,871,068
Additions	-	291,000	4,456,150	-	4,747,150
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30th June 2021	-	1,300,525	11,379,905	1,937,788	14,618,218
					-
Depreciation and impairment					-
At 1st July 2019		126,191	2,077,127	484,447	2,687,764
Depreciation	-	100,952	1,730,939	484,447	2,316,338
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2020	-	227,143	3,808,065	968,894	5,004,102
At 1st July 2020		227,143	3,808,065	968,894	5,004,102
Depreciation		162,566	2,844,976	484,447	3,491,989
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30th June 2021		389,709	6,653,042	1,453,341	8,496,091
Net book values					-
At 30th June 2020	-	1,073,382	7,571,840	968,894	9,614,115
At 30th July 2021	-	910,816	4,726,864	484,447	6,122,126

9. Trade and other payables

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Description	FY2020/2021	FY2019/2020
	KShs	KShs
Payables to mothers	-	13,272,231
Total trade and other payables	-	13,272,231

10. Prior Year Adjustment

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Adjustment	13,272,231	-
Total Adjustments	13,272,231	-

Prior adjustment has been occasioned for the reason that Ksh 13,272,231 was expensed financial year 2018/2019 and carried forward as a balance payable to mothers in financial year 2019/2020. This amount was still in the M-Pesa account and was treated as an asset i.e. cash and cash equivalent.

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15. 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: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
Nil	Nil	Nil	Nil	Nil	Nil

Guidance

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.

