

REPUBLIC OF KENYA



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REPORT

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LIBRARY


OF

THE AUDITOR-GENERAL

ON

**HEALTH RECORDS AND INFORMATION
MANAGERS BOARD**

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

| | |
|---|--|
|  THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 14 MAR 2025 | |
| DAY: FRIDAY | |
| TABLED BY: | DEPUTY MAJORITY LEADER (HON. OWEN BAYA, MP) |
| CLERK-AT THE-TABLE: | IRENE NDUKU |

OFFICE OF THE AUDITOR GENERAL
P.O. BOX 30000, NAIROBI
REGISTRY

23 DEC 2024

RECEIVED



HEALTH RECORDS AND INFORMATION MANAGERS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024

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

HEALTH RECORDS AND INFORMATION MANAGERS BOARD
Annual Report and Financial Statements
for the year ended June 30, 2024.

HEALTH RECORDS AND INFORMATION MANAGERS BOARD

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1. Acronyms and Definition of Key Terms

A: Acronyms

| | |
|-------|--|
| CEO | Chief Executive Officer |
| DG | Director General |
| HRIMB | Health Record and Information Managers Board |
| CBK | Central Bank of Kenya |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards |
| MD | Managing Director |
| NT | National Treasury |
| OCOB | Office of the Controller of Budget |
| OAG | Office of the Auditor General |
| OSHA | Occupational Safety and Health Act of 2007 |
| PFM | Public Finance Management |
| PPE | Property Plant & Equipment |
| PSASB | Public Sector Accounting Standards Board |
| SAGAs | Semi-Autonomous Government Agencies |
| SC | State Corporations |
| WB | World Bank |
| VC | Vice Chancellor |

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization.

Comparative Year- Means the prior period.

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2. Key Information and Management

(a) Background information

(b) The Board was incorporated/ established under the HRIM Act of No. 15 passed by parliament on: 19th May 2016. The Current Board was established pursuant to this Act on 5th August 2022 the board is domiciled in Kenya and has a headquarter in Nairobi.

(c) Principal Activities

The principal activity/mission/ mandate of the board is to ...

(a) establish and improve standards of all branches of the health records and information managers profession in all aspects.

(b) establish and improve the standards of professional health records and information management in Kenya.

(c) with the Cabinet Secretary's approval, provide training and instruction for persons seeking registration or enrolment under this Act.

(d) in consultation with institutions offering training on health records and information technology, prescribe syllabuses of instruction.

(e) recommend to the Cabinet Secretary the institutions to train in health records and information technology.

(f) with the approval of the Cabinet Secretary, make provision for proficiency examination for persons seeking registration or enrolment under this Act.

(g) have regard to the conduct of persons registered, enrolled or licensed under this Act, and take such disciplinary measures as may be necessary to maintain a proper standard of conduct among such persons.

(h) direct and supervise the compilation and maintenance of professional registers, rolls, and records required to be kept under section 22 of the Act.

(i) advise the Cabinet Secretary on matters concerning all aspects of health records and information management

(2) The Board shall, before the end of the month of June in each year, cause a

1. Develop guidelines and standards for professional practice.
2. Promote universal growth in the profession in terms of numbers and recognizing quality training.

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3. Ensure availability of quality workforce for the management of health records, and health and related information systems within the health sector and beyond the borders.
4. To enroll and renew memberships, retain, and maintain members in the professional practices.

Key Management

The HRIMB day-to-day management is under the following key organs:

| No. | Designation | Name |
|-----|----------------------|---------------------|
| 1. | Board of Directors | |
| 2. | Registrar/ Ag. C.E.O | Amos Ragang' |
| 3. | Accountant | Lucy Gikeri |

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|-----------------------|---------------------|
| 1. | Registrar/ Ag. C.E. O | Amos Ragang' |
| 3. | Accountant | Lucy Gikeri |

Key Information and Management (continued)

(e) Fiduciary Oversight Arrangements

- Audit Committee
- Public Investment Committee
- Parliamentary Health Committee
- Development partners

(f) HRIMB Headquarters

P. O.Box 64419-00620
 KMTC Building
 Old Mbagathi Road

(g) HRIMB Contacts

Telephone: (254) 0115669084/0704412265
 E-mail: info@hrimboard.org
 Website: www.hrimboard.org

(h) HRIMB Bankers

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Kenya Commercial Bank
Capital Hill
P.O. Box 60000
City Square 00200
NAIROBI, KENYA)

(i) Independent Auditor



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

(j) Principal Legal Adviser

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

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3. The Board of Directors

| Ref | Directors | Details |
|-----|---|---|
| 1. |  <p data-bbox="316 1010 644 1043">Onesmus Mwaura Kamau</p> | <p>Name: Onesimus Mwaura Kamau Date of Birth: 1972 Professional Qualification: Health Records & Information Technology (Academic) Information Technology Manager MSc. Public Health (KEMU) MSc. Health Informatics - Moi University LLB (Nairobi University) BSc. Information Technology (JKUAT) Work experience: Over 20 yrs in Health Records and Information Management at MOH Status: Board Chair</p> |
| 2. |  <p data-bbox="316 1485 612 1574">Amos Kenneth Ragang' (Ag. CEO)</p> | <p>Name: Amos Kenneth Onyango Ragang' Date of Birth: 01/09/1980 Professional Qualification: Health Records & Information Manager (Academic) MSc. Health Informatics (Continuing) Rongo University BSc. Health Records & Info. Management Kenyatta University Work experience: 10 years in Health Records and Information Management at KEMRI/CDC 10 years Lecturer KMTC (Head of Department HRI in 3 different Campuses, Head of Faculty NRB/Deputy College Exam Officer KMTC HQ) Status: Independent director</p> |



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| | | |
|----|--|--|
| 3. |  <p>Gilbert Nzomo Mboro</p> | <p>Name: Gilbert Nzomo Mboro Date of Birth: 24/11/1972 Professional Qualification: Health Records & Information Manager (Academic) PhD (Health Information Management) Kenyatta University 2022 on going MPH (Monitoring and Evaluation) Kenyatta University 2013 - 2017 MSc. Health Information Management HNU – Germany 2013 -2016 BSc. Health Records & Inf. Management Work experience: 23 years working as a Health Information Manager, 6 years as Deputy Director HRIM Services Status: Independent director</p> |
| 4. |  <p>Dkt. Josephat Kiongo</p> | <p>Name: Josephat Kiongo Date of birth: 24/10/1958 Professional Qualification: Health Records & Information Manager PhD (Health Records Management) MSc. Health Management BSc. Health Records & Inf. Management Work experience: 38 Yrs in Health Records and Information Management 5 yrs University teaching Status: Independent director</p> |
| 5. |  <p>Silas Otieno Okwach</p> | <p>Name: Silas Otieno Okwach Date of birth: 01/04/1988 Professional Qualification: Health Records & Information Officer (Academic) BSc. Health Records & Info. Management Kenyatta University (<i>Continuing</i>) Diploma Health Records & Info Work experience: 9 years as HRIO Status: Independent director</p> |

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| | | |
|-----------|--|--|
| <p>6.</p> |  <p>Isabel Juma</p> | <p>Name: Isabel Juma Date of Birth: 29/12/1975 Professional Qualification: Certified Public Accountant (Academic) MSc. MBA (Finance) both from the United States International University – Africa BSc in International Business Administration (accounting concentration) (USIU-A) PhD in Business Administration JKUAT - ongoing Work experience: 18+ years of experience across Higher Education, FMCG and Beverages, experienced in leading multi-faceted teams across Strategy, Capital Structuring and Financial Management functions Status: Independent director</p> |
| <p>7.</p> |  <p>Mercy Kahare</p> | <p>Name: Mercy Kahare Date of Birth: 24/02/1975 Professional Qualification: Health Records & Information Manager (Academic) MSc. Health Systems Management KEMU BSc. Health Records & Inf. Management KU Work experience: 25 years experience on HRIM services Status: Independent director</p> |

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4. Key Management Team

| | Management | Details |
|----|---|-----------------------------|
| 1. |  <p>AMOS RAGANG' Professional Qualification: Health Records & Information Manager (Academic) MSc. Health Informatics (Continuing) Rongo University BSc. Health Records & Info. Management Kenyatta University</p> | Ag. Chief Executive Officer |
| 2. |  <p>CPA LUCY GIKERI Professional Qualification: Certified Public Accountant BSc. Bachelor of Commerce (Account Option) Masinde Muliro University</p> | Ag. Finance Officer |

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5. Chairman's Statement

The appointment of the inaugural HRIM Board team by the Cabinet Secretary for Health on 5th August 2022 heralded a new era in this noble profession. Since the appointment of the Board, the team has so far managed to establish a secretariat office for the board, procure registration and licensing documents for the practitioners, and procure an electronic digital licensing solution for the licensing of the members.

We have also managed to ensure that all stakeholders are fully informed about the existence of the board and the commencement of the licensing process and so far, all prospective candidates for various positions in both public and private sectors are required to have obtained practicing licenses before being engaged by employers.

We have also been able to develop various policies: training and accreditation guidelines, a code of conduct, and working with a legal team from the government to develop regulations for the Act. We also lobbied the Ministry for the secondment of staff and we are happy to report that the Ministry through the PS Public Health seconded an accountant to the board to support our work.

The board is also in the process of initiating the indexing of students from all accredited training institutions even as we prepare to commence board licensing exams.

During the same period, we faced many challenges which included: budget deficits, staffing gaps, compliance enforcement issues, and competing priorities considering that we serve on a part-time basis among many other issues. We are working on the HR instruments in

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collaboration with SCAC and PSC so that we can establish an organogram for the board and be able to recruit additional staff for the board



Onesmus Mwaura Kamau

Chairman

Health Records and Information Managers Board

6. Report of the Chief Executive Officer

I am contented to present the Annual Report and Financial Statement for the year ended 30th June 2024, in accordance with the provisions of Legal Notice No. 35 of March 2021. This period marked a historical and challenging moment for Health Records and Information Managers Board on the fact that the Board was newly inaugurated and did not have any funds for operations.

The appointment and gazettelement of Health Records and Information Managers Board following the enactment of HRIM Act No. 15 of 2016 represents a breakthrough in the board's efforts to harmonize the training, registration and licensing of HRIM professionals in Kenya. The Act provides an overarching legal and policy framework to assist in the regulation of Health Records and Information Managers in terms of training and practice in the country so as to ensure that quality and professional standards are maintained at all times

With all circumstances at play formed a basis of a relentless hard work for the Management to ensure the Board standing on its feet.

The board rigorously embarked on strategies aligned to its core mandate achievements aligned with HRIMB mission to guarantee a rights based approach to Healthcare and best practices in Health Information management through strict compliance with standards for training, registration and licensing.

It's important to note that the regulation role of the board is very critical due to the pressing need to address the gaps caused by the mushrooming of multiple training institutions across the country offering inferior and mediocre training courses that don't follow any standard

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curriculum. Furthermore, there is a compelling need for training institutions to collaborate and work with the board to ensure standardization of training across all institutions in the country so that we produce quality graduates who are ready for the job market.

It is also worth noting that the Health Records and Information professionals play a pivotal role in ensuring that quality service is offered across all levels of the healthcare delivery system. Indeed, the cadre has been recognized as a critical service delivery pillar due to the role they play in ensuring that healthcare managers and the funders in the sector make critical decisions that are evidence-based through use of quality data

As we forge ahead, we are committed to improving service delivery in HRIM Board to the satisfaction of all our practitioners. We remain grateful to the Government of Kenya, our Board of Directors led by Chairman, Onesmus Mwaura Kamau for their guidance and wisdom, and all our partners for their unwavering support.

Thank you for your continued support.



Amos Kenneth Onyango Ragang'

Ag. CEO/Registrar

Health Records and Information Managers Board

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7. Statement of Performance against Predetermined Objectives for FY 2023/2024

8. HRIM Board has 2 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 23- FY 24. These strategic pillars/ themes/ issues are as follows:
9. Pillar /theme/issue 1: Develop guidelines and standards for professional practice
10. Pillar/theme/issue 2: Enroll , renew memberships, retain, and maintain members in the professional practices
11. Health Records & Information Managers Board develops its annual work plans based on the above 2 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The HRIM Board achieved its performance targets set for the FY 2023-2024 period for its two strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|--------------------------------------|--|--|--|-----------------------------------|
| Pillar/ theme/ issue 1: | Develop guidelines and standards for professional practice | Number of training institutions accredited and regulated | Accredited HRIM training institutions regulated | 2 Full Accreditation 5 Partial |
| Pillar/ theme/ issue 1: | Enrol , renew memberships, retain, and maintain members in the professional practices. | Number of HRIM professionals entered in the register | Roll of master register for HRIM professionals established | 1263 Registered members. |

12. Corporate Governance Statement

13. The board has convened 14 meetings up to this period and all board members have been attending the meetings save for a few that some members had sent apologies. We also have a board charter, and in the Act the process of replacement of a board member is clearly articulated as a board function in which case such appointed director shall serve for the remaining term of the current board. The functions of the board are also well articulated in the Act. All members have been actively involved in the board work with notable dedication and positive contributions. We have not had any registered conflicts from any members. The board remunerations are updated and within the PFM Act, Mwongozo guidelines and SCAC regulations. We have also not had any cases of unethical behaviour from members, and we fully submit to the OCAG guidance.

14. Management Discussion and Analysis

The department is achieving its key performance indicators using available resources

15. Environmental and Sustainability Reporting

i) *Sustainability strategy and profile*

HRIMB exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

The top management especially the accounting officer makes reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

••

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ii) ***Environmental performance***

It is our policy to seek continual improvement throughout our operations to lessen our impact on the local and global environment by conserving energy, water and other natural resources; reducing waste generation; recycling and; reducing our use of toxic materials

iii) ***Employee welfare***

- iv) Health Records and Information Managers Board prescribes to the Occupational Safety and Health Act, 2007 and ensures the health, safety and welfare of staff are taken care of at all times. The Board strives to comply with all applicable OSHA standards to minimize all Health hazards in the work place environment.

v) ***Market place practices-***

The organisation should outline its efforts to:

a) Responsible competition practice.

The board achieves this by setting performance goals, providing feedback, and tracking progress behaviors that reinforce a sense of responsibility among team members. This is further cemented through the following:

- a) Establish clear goals and expectations
- b) Foster open and honest communication
- c) Encourage team members to take ownership of their work
- d) Use data to drive decision on-making
- e) Clarify expectations
- f) Reinforce inclusive behavior
- g) Help employees track progress

b) Responsible Supply chain and supplier relations

The Health Records and Information Management Board upholds a cordial relationship with its key stake holders; suppliers being one of them. The Board manages supplier relationship through:

- a. Consistent communication
- b. Follow a process
- c. Evaluate the risks
- d. Be mindful of cultural differences
- e. Set clear and achievable goals

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- f. Address suppliers' concerns
- g. Monitor their performance

c) Responsible marketing and advertisement

The HRIM Board applies a number of efforts to maintaining ethical standards. So of the efforts the Board has put in place include: Data privacy, Respect for consumer privacy, Transparency, Determination of marketing ethics, Develop transparency, Social responsibility, Think about sustainability, Authenticity and brand values, Compliance with regulations, Environmental responsibility, Form ethical partnerships, Foster trustworthy relationships, Honesty and transparency, Minimize risks, Prioritize informed consent and Respond meaningfully to consumer concerns

d) Product stewardship

The HRIM Board has endeavored to safeguard consumer rights and interests through: Right to services of reasonable quality; Right to the information necessary for clients to gain full benefit from services; Right to the protection of their health, safety and economic interests; Right to compensation for loss or injury arising from defects in goods or services rendered.

e) Corporate Social Responsibility / Community Engagements

The Board did not engage in CSR under the period of reference

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16. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the HRIM Board's affairs.

i) Principal activities

The principal activities of the HRIMB are to regulate training, registration and licensing of the health records and information managers; and to regulate professional practice; and to provide for the establishment, powers and functions of the Health Records and Information Managers Board and for connected purposes and to advise the Cabinet Secretary on matters related to professional Practice

ii) Results

The results of the HRIM Board for the year ended June 30, 2024, are set out on page 1

iii) Directors

- iv) The members of the Board of Directors who served during the year are shown on page v - vii.

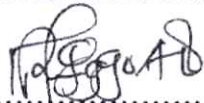
v) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

vi) Auditors

The Auditor-General is responsible for the statutory audit of the HRIM Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2024.

By Order of the Board



.....
Name **Amos Kenneth O. Ragang**
Corporation Secretary/Secretary to the Board

17. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, - (Health Records & Information Managers Act No. 15 of 2016)) require the Directors to prepare financial statements in respect of that HRIM Board, which give a true and fair view of the state of affairs of the HRIM Board at the end of the financial year/period and the operating results of the HRIM Board for that year/period. The Directors are also required to ensure that the HRIM Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the HRIM Board. The Directors are also responsible for safeguarding the assets of the HRIM Board. The Directors are responsible for the preparation and presentation of the HRIM Board's financial statements, which give a true and fair view of the state of affairs of the HRIM Board for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes:

(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the HRIMB; (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 HRIM Board; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the HRIM Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) - Health Records & Information Managers Act No. 15 of 2016. The Directors are of the opinion that the HRIM Board financial statements give a true and fair view of the state of HRIM Board's transactions during the financial year ended June 30, 2024, and of the HRIM Board financial position as at that date.

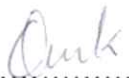
The Directors further confirms the completeness of the accounting records maintained for the HRIM Board, which have been relied upon in the preparation of the HRIM Board financial statements as well as the adequacy of the systems of internal financial control.

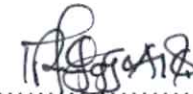
Nothing has come to the attention of the Directors to indicate that the HRIM Board will not remain a going concern for at least the next twelve months from the date of this statement

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Approval of the financial statements

The HRIMB financial statements were approved by the Board on 20th December, 2024 and signed on its behalf by:


.....
Name Chesmus Mwaurea Kamau
Chairperson of the Board


.....
Name Amos Kenneth O. Ragingi
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON HEALTH RECORDS INFORMATION MANAGERS BOARD FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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 aim to address the Auditor-General's statutory roles and responsibilities 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 Health Records Information Managers Board set out on pages 1 to 37, which comprise of the statement of financial

Report of the Auditor-General on Health Records Information Managers Board for the year ended 30 June, 2024

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 the Health Records Information Managers Board 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 Health Records Information Managers Act, 2016 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Health Records Information Managers Board 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 total revenue budget of Kshs.21,000,000 and actual revenue of Kshs.13,132,594 respectively, resulting to revenue shortfall of Kshs.7,867,406 or 37% of the approved budget. Similarly, the statement reflects actual expenditure of Kshs.10,522,316 against actual revenue of Kshs.13,132,594 resulting to under expenditure of Kshs.2,610,278 or 20% of the actual revenue.

The revenue shortfall and under expenditure affected the planned activities and may have negatively impacted on the operations of the Board.

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

The Management is responsible for the other information set out on page iv to xxii which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Board'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. In my opinion, except for the matter described below, I confirm that the other information is not materially inconsistent with the financial statements.

Failure to Measure Performance Targets

Review of the Board's performance revealed six (6) programs of policy formulation, resource mobilization, coordination/ partnership, standard, quality and advisory, research monitoring and evaluation and capacity building. However, Management did not indicate the planned targets during the year under review hence there was no criteria for measuring progress and checking if the goals were met.

In the circumstances, there was no clear roadmap for achieving the goals of the Board.

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 thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Late Submission of the Financial Statements

The financial statements were submitted on 16 October, 2024 instead of on before the statutory deadline of 30 September, 2024. This was contrary to Section 68(2)(k) of the

Public Finance Management Act, 2012 which provides that an accounting officer shall prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to The National Treasury.

In the circumstances, Management was in breach of the law

2. Lack of a Procurement Plan

The Board did not have a procurement plan during the year under review. This was contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

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

3. Failure to Formulate Regulations

Section 19(2) of the Health Records Information Managers Act, 2016 provides that the Board shall make Regulations to prescribe the procedure for approving and accrediting training institutions for the purposes of this section. The Regulations required under Section 19(2) of the Act were not in place as at the time of audit.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE 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, except for the effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Weaknesses in Internal Controls, Risk Management and Governance

Review of the Board's documents and internal control processes revealed the following weaknesses in internal controls, risk management and governance:

1.1 Lack of Strategic Plan and Organizational Structure

The Board did not have a strategic plan and organizational structure. Management did not provide satisfactory explanation for the failure to develop strategic plan and an organizational structure.

In the circumstances, it was not possible to confirm whether the Board's policies, practices and strategic plans were aligned with Government directives, national policies and national development goals.

1.2 Lack of Audit Committee and Internal Audit Department

During the year under review, the Board did not have an internal audit unit in place. This was contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which provides that every national government entity shall ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. In addition, the Board did not have an internal audit committee. This was contrary to Regulation 73(5) of the Public Finance Management (National Government) Regulations, 2015 which states that every National Government public entity shall establish an audit committee.

In the circumstances, it was not possible to confirm the effectiveness of governance systems, checks and balances in the Board.

1.3 Lack of Risk Management and Information Communication Technology Policy

The Board did not have risk management and information communication technology policy. This was contrary to Regulation 165 of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall ensure that the National Government entity develops (a) risk management strategies which include fraud prevention mechanism and (b) a system of risk management and internal controls that builds robust business operations.

In the circumstances, the effectiveness of risk management systems and information technology controls could not be confirmed.

1.4 Lack of Imprest Register

Management did not maintain an imprest register. This was contrary to Regulation 93(4)(c) of the Public Finance Management (National Government) Regulations, 2015

which provides that before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant has been recorded in the imprest register including the amount applied for.

In the circumstances, the effectiveness of internal controls on management of imprest could not be confirmed.

1.5 Failure to Constitute Board Committees

The statement of financial performance reflects board expenses of Kshs.6,433,120 as disclosed in Note 9 to the financial statements. According to Section 7(3) of the Health Records and Information Managers Act 2016, the Board was required to have audit committee and up to three (3) other committees that shall deal with matters of finance, risk, standards and education, registration and licensing, human resource, discipline and ethics for the effective performance. However, during the year under review, the Board operated without the four (4) committees.

In the circumstances, the Board as currently constituted is not anchored with departments to enable it to effectively discharge the mandate.

1.6 Failure to Carry out Board Evaluation

During the year under review, the Board of Directors did not carry out Board evaluation. This was contrary to Section 1.12.1(b) of Mwongozo Code of Governance for State Corporation, 2015 which states that the Board should undertake an annual evaluation of its performance.

In the circumstances, the effectiveness of governance structures could not be confirmed.

2. Inadequate Staffing

Review of the establishment records revealed that the Board engaged two (2) casual employees who were handling sensitive data for a period of more than one (1) year and another staff seconded from the State Department for Public Health. Further, the staffing needs of the Board were not guided by human resource instruments as they were not in place as at the time of audit in December, 2024.

In the circumstances, the effectiveness of internal controls on management of human resource matters could not be confirmed.

3. Failure to Appoint Substantive Chief Executive Officer

During the year under review, a Board member was acting as the Chief Executive Officer (CEO). However, there was no evidence that the appointment was approved by the Cabinet Secretary in consultation with the Board. Further, there was no evidence that the acting Chief Executive Officer was paid acting allowance.

In the circumstances, the effectiveness of internal controls on management of human resource matters could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors

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 Board 's ability to continue to sustain 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 cease operations.

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

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

The Board of Directors is responsible for overseeing the Board'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 consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

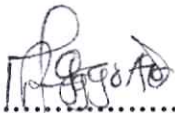


24 December, 2024

HEALTH RECORDS MANAGERS BOARD
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19. Statement of Financial Performance for the year ended 30 June 2024

| | Notes | 2023/2024 | 2022/2023 |
|---|-------|-------------------|-----------|
| | | Kshs | Kshs |
| Revenue from non-exchange transactions | | | |
| Licenses and permits | 6 | 13,132,594 | - |
| Revenue from exchange transactions | | | |
| Total revenue | | 13,132,594 | - |
| Expenses | | | |
| Use of goods and services | 7 | 2,421,196 | - |
| Employee costs | 8 | 168,000 | - |
| Board Expenses | 9 | 6,433,120 | - |
| Depreciation and amortization expense | 10 | 187,500 | - |
| Total expenses | | 9,209,816 | - |
| Net Surplus for the year | | 3,922,778 | - |

The notes set out on pages 5 to 36 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

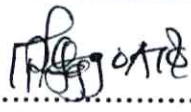
| | | |
|---|---|---|
|  |  |  |
| | | |
| Name: Amos K. O. Rasingang | Name: Lucy Cikeri | Name: Chairman |
| Accounting Officer | Head of Finance | Chairman of the Board |
| | ICPAK M/No: 17135 | |
| Date 20/12/24 | Date 20/12/24 | Date 20/12/2024 |


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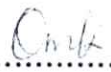
15 Statement of Financial Position as at 30 June 2024

| | Notes | 2023/2024 | 2022/2023 |
|----------------------------------|-------|------------------|-----------|
| | | Kshs | Kshs |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash equivalents | 11 | 2,610,278 | - |
| Total Current Assets | | 2,610,278 | - |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 13 | 1,312,500 | - |
| Total Non- Current Assets | | 1,312,500 | - |
| Total Assets | | 3,922,778 | - |
| Represented by: | | | |
| Accumulated Surplus | | 3,922,278 | - |

The financial statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:


 Name **Amos K.O. Ragingi**
 Accounting Officer


 Name **Lucy Gikere**
 Head of Finance


 Name **Ernestus Nwaniwa Kimo**
 Chairman of the Board

Date **20/12/24**

ICPAK Member Number: **17135**
 Date **20/12/2024**

Date **20/12/2024**

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

| Description | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/Development Grants/Fund | Total |
|--|------------------------|---------------------|-------------------------------|-------------------|--------------------|---------------------------------|------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| Surplus/ (deficit) for the year | 3,922,778 | - | - | 0.00 | - | - | 3,922,778 |
| Transfer of depreciation/amortisation from capital fund to retained earnings | - | - | - | 0.00 | - | 0.00 | - |
| As at June 30, 2024 | 3,922,778 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,922,778 |

16. Statement of Cash Flows for the year ended 30 June 2024

| | Notes | 2023/2024 | 2022-2023 |
|---|-------|--------------------|-----------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Licenses and permits | 6 | 13,132,594 | - |
| Total receipts | | 13,132,594 | - |
| Payments | | | |
| Use of goods and services | 7 | 2,421,196 | - |
| Employee costs | 8 | 168,000 | - |
| Board Expenses | 9 | 6,433,120 | - |
| Total payments | | 9,022,316 | - |
| Net cash flows from/(used in) operating activities | | 4,110,278 | - |
| Cash flows from investing activities | | | |
| Purchase of intangible asset-System Installation | | (1,500,000) | - |
| Net cash flows from/(used in) investing activities | | (1,500,000) | - |
| Net increase/(decrease) in cash & Cash equivalents | | 2,610,278 | - |
| Cash and cash equivalents at 1 July | 11 | - | - |
| Cash and cash equivalents at 30 June | | 2,610,278 | - |

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17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilization |
|-------------------------------|-------------------|-------------|-------------------|----------------------------|------------------------|------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| | a | b | C=(a+b) | d | e=(c-d) | f=d/c*100 |
| Revenue | | | | | | |
| Licenses and permits | 21,000,000 | - | 21,000,000 | 13,132,594 | 7,867,406 | 62.5% |
| Total Income | 21,000,000 | - | 21,000,000 | 13,132,594 | 7,867,406 | 62.5% |
| Expenses | | | | | | |
| Use of Goods and Services | 4,329,500 | - | 4,329,500 | 2,421,196 | 408,304 | 55.9% |
| Employee costs | 900,000 | - | 900,000 | 432,000 | 468,000 | 48% |
| Board Expenses | 9,840,000 | - | 9,840,000 | 6,169,120 | 3,670,880 | 62.7% |
| System Software | 1,500,000 | - | 1,500,000 | 1,500,000 | - | 100% |
| Total Expenditure | 16,569,500 | - | 16,569,500 | 10,522,316 | 4,547,184 | 63.5% |
| Surplus for the period | 4,430,500 | - | 4,430,500 | 2,610,278 | 1,820,222 | 59.9% |

18. Notes to the Financial Statements

1. General Information

HRIMB is established by and derives its authority and accountability from Parliament Act. The HRIMB is wholly owned by the Government of Kenya and is domiciled in Kenya. The HRIMB's principal activity is established and improve the standards of professional health records and information management in Kenya.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the HRIMB's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the HRIMB.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023. ...

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

| Standard | Effective date and impact: |
|---|--|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2023:</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 HRIMB'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 HRIMB's risk management strategies and the accounting treatment for instruments held as |

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| Standard | Effective date and impact: |
|--|---|
| | part of the risk management strategy. |
| IPSAS 42: Social Benefits | Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting HRIMB 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 HRIMB. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the HRIMB's financial performance, financial position and cash flows. |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <ul style="list-style-type: none"> • Applicable: 1st January 2023: • Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. • Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. • 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. |
| Other | <i>Applicable 1st January 2023</i> |

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| Standard | Effective date and impact: |
|--|--|
| improvements to IPSAS | <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> |
| IPSAS 43 | <p><i>Applicable 1st January 2025</i></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 HRIMB.</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 Discontinued Operations | <p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> |

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iii. Early adoption of standards

The HRIMB did not early – adopt any new or amended standards in year 2023/2024

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The HRIMB recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the HRIMB and the fair value of the asset can be measured reliably.

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 HRIMB and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The HRIMB recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the *HRIMB*.

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 *HRIMB*'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 the Current FY was approved by the National Assembly on xxx. 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 *HRIMB* upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *HRIMB* recorded additional appropriations of xxx on the 20xx budget following the governing body's approval.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

The *HRIMB*'s budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the *HRIMB* operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *HRIMB* and the same taxation authority.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

- e) 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. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period. 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. Transfers are made to or from investment property only when there is a change in use.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) 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 HRIMB 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.

g) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *HRIMB*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *HRIMB* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *HRIMB* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the *HRIMB*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

h) 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

i) Research and development costs

The *HRIMB* expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *HRIMB* can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

j) 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 HRIMB does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one HRIMB and a financial liability or equity instrument of another HRIMB. At initial recognition, the HRIMB 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.

a) Financial assets

Classification of financial assets

The HRIMB 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 HRIMB'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 HRIMB has made irrevocable election at initial recognition for particular investments in equity instruments.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, the HRIMB 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.

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.

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 HRIMB 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.

Impairment

The HRIMB 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 HRIMB recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

b) Financial liabilities

Classification

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

k) 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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 HRIMB.

l) Provisions

Provisions are recognized when the HRIMB 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 HRIMB 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.

m) 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 HRIMB 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 HRIMB will incur in fulfilling the present obligations represented by the liability.

n) Contingent liabilities

The HRIMB 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.

o) Contingent assets

The HRIMB 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 HRIMB in the notes to the financial

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

p) Nature and purpose of reserves

The HRIMB creates and maintains reserves in terms of specific requirements.

q) Changes in accounting policies and estimates

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

r) Employee benefits

Retirement benefit plans

The HRIMB provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an HRIMB pays fixed contributions into a separate HRIMB (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.

s) 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

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Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

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.

t) 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.

u) Related parties

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

v) Service concession arrangements

The HRIMB analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the HRIMB recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the HRIMB also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

w) 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.

x) Comparative figures

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

y) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *HRIMB'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:

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 HRIMB 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 HRIMB. Such changes are reflected in the assumptions when they occur.
IPSAS 1.140

Useful lives and residual value

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

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

Provisions

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Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. 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.

Notes to the Financial Statements (Continued)

6. Licenses, Fees and Permits

| Description | 2023-2024 | 2022-2024 |
|--------------|-------------------|-----------|
| | Kshs | Kshs |
| Licenses | 13,132,594 | - |
| Total | 13,132,594 | - |

7. Use of Goods and Services

| Description | 2023-2024 | 2022-2023 |
|-----------------------------|------------------|-----------|
| | Kshs | Kshs |
| Conferences and Delegations | 937,875 | - |
| Licenses and Permits | 1,020,000 | - |
| Catering services | 321,670 | - |
| Bank Charges | 10,055.75 | - |
| Other General Expenses | 131,595 | - |
| TOTALS | 2,421,196 | - |

8. Employee Costs

| Description | 2023-2024 | 2022-2023 |
|-----------------------|----------------|-----------|
| | Kshs | Kshs |
| Salaries and wages | 168,000 | - |
| Employee costs | 168,000 | - |

9. Board Expenses

| Description | 2023-2024 | 2022-2023 |
|-------------------------------|------------------|-----------|
| | Kshs | Kshs |
| Chairman/Directors' Honoraria | 960,000 | - |
| Sitting Allowances | 1,218,000 | - |
| Travel and Accommodation | 4,255,120 | - |
| Total | 6,433,120 | - |

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Notes to the Financial Statements (Continued)

10. Depreciation and Amortization Expense

| Description | 2023-2024 | 2022-2023 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Intangible assets-Software | 187,500 | - |
| Total depreciation and amortization | 187,500 | - |

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Notes to the Financial Statements (Continued)

11. Cash and Cash Equivalents

| Description | 2023-2024 | 2022-2023 |
|--|------------------|-----------|
| | Kshs | Kshs |
| Current Account | 2,610,278 | - |
| Total Cash and Cash Equivalents | 2,610,278 | - |

Detailed Analysis of the Cash and Cash Equivalents

| Financial Institution | Account number | 2023-2024 | 2022-2023 |
|---------------------------|----------------|------------------|-----------|
| | | Kshs | Kshs |
| a) Current Account | | | |
| Kenya Commercial Bank | | 2,610,278 | - |
| | | | - |
| Grand Total | | 2,610,278 | - |

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Notes to the Financial Statements (Continued)

12. Property, Plant and Equipment

Valuation

The Board does not own Land, Buildings and Equipment to be revalued

34 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

| Description | Cost | Accumulated Depreciation | NBV |
|---|------|--------------------------|------|
| | Kshs | Kshs | Kshs |
| Land | - | - | - |
| Buildings | - | - | - |
| Plant And Machinery | - | - | - |
| Motor Vehicles, Including Motorcycles | - | - | - |
| Computers And Related Equipment | - | - | - |
| Office Equipment, Furniture, And Fittings | - | - | - |
| Total | - | - | - |

Property plant and Equipment includes the following assets that are fully depreciated:

| Description | Cost or valuation | Normal annual depreciation charge |
|--|-------------------|-----------------------------------|
| Plant and Machinery | - | - |
| Motor Vehicles including Motorcycles | - | - |
| Computers and Related Equipment | - | - |
| Office Equipment, Furniture and Fittings | - | - |
| Total | - | - |

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Notes to the Financial Statements (Continued)

13. Intangible Assets

| Description | 2023-2024 | 2022-2023 |
|------------------------------------|------------------|-----------|
| | Kshs | Kshs |
| Cost | | |
| At beginning of the year | - | - |
| Additions | 1,500,000 | - |
| At end of the year | 1,500,000 | - |
| Amortization and impairment | | |
| At beginning of the year | - | - |
| Amortization | 187,500 | - |
| At end of the year | 187,500 | - |
| NBV | 1,312,500 | - |

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Notes to the Financial Statements (Continued)

Retirement benefit Asset/ Liability

The HRIMB did not operate a defined benefit scheme for all full-time employees from July 1, 2023.

Recognition of Retirement Benefit Asset/ Liability

The HRIMB also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The HRIMB's obligation under the scheme is limited to specific contributions legislated from time to time.

14. Non-Current Provisions

No Social benefit schemes including benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.

15. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

16. Financial Risk Management

The HRIMB's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The HRIMB'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 HRIMB 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 HRIMB's financial risk management objectives and policies are detailed below:

i) Credit risk

The HRIMB 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,

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estimated by the HRIMB's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

Financial Risk Management

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 HRIMB has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The HRIMB has significant concentration of credit risk on amounts due from xxx. The board of directors sets the HRIMB's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the HRIMB's directors, who have built an appropriate liquidity risk management framework for the management of the HRIMB's short, medium and long-term funding and liquidity management requirements. The HRIMB manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the HRIMB 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.

Notes to the Financial Statements (Continued)

Financial Risk Management

iii) Market risk

The *HRIMB* has put in place an internal audit function to assist it in assessing the risk faced by the *HRIMB* 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 *HRIMB*'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 *HRIMB*'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 *HRIMB*'s exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The *HRIMB* 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 *HRIMB* 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.

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Notes to the Financial Statements (Continued)

Financial Risk Management

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

The following table demonstrates the effect on the *HRIMB's* statement of comprehensive income 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.

b) Interest rate risk

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

Financial Risk Management

Sensitivity analysis

The *HRIMB* did not analyse its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

Notes to the Financial Statements (Continued)

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data

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obtained from independent sources; unobservable inputs reflect the *HRIMB*'s market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *HRIMB* considers relevant and observable market prices in its valuations where possible.

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Notes to the Financial Statements (Continued)

Financial Risk Management

The following table shows an analysis of financial and non-financial instruments recorded at fair value by level of the fair value hierarchy:

| Description | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|-------|
| | Kshs | Kshs | Kshs | Kshs |
| As at 30 June (Current FY) | | | | |
| Financial Assets | | | | |
| Quoted Equity Investments | - | - | - | - |
| Non- Financial Assets | - | - | - | - |
| Investment Property | - | - | - | - |
| Land And Buildings | - | - | - | - |
| Total | - | - | - | - |
| As at 30th June (Previous FY) | - | - | - | - |
| Financial Assets | - | - | - | - |
| Quoted Equity Investments | - | - | - | - |
| Non- Financial Assets | - | - | - | - |
| Investment Property | - | - | - | - |
| Land And Buildings | - | - | - | - |
| Total | - | - | - | - |

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

| Description | 2023-2024 | 2022-2023 |
|--|-----------|-----------|
| | Kshs | Kshs |
| Revaluation Reserve | - | - |
| Retained Earnings | - | - |
| Capital Reserve | - | - |
| Total Funds | - | - |
| Total Borrowings | - | - |
| Less: Cash and Bank Balances | - | - |
| Net Debt/(Excess Cash And Cash Equivalentents) | - | - |

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| | | |
|---------|---|---|
| Gearing | - | - |
|---------|---|---|

Notes to the Financial Statements (Continued)

17. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *HRIMB* 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.

Government of Kenya

The Government of Kenya is the principal shareholder of the *HRIMB*, holding 100% of the *HRIMB*'s equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *HRIMB*, both domestic and external.

Other related parties include:

- i) Ministry of Health.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of directors.



18. Events after the Reporting Period

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

19. Ultimate And Holding HRIMB

The HRIMB is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Health. Its ultimate parent is the Government of Kenya.

20. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

This is the first year of Reporting and therefore there were no prior audit issues raised by the external auditor warranting management comments.

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Registrar/ Ag. C.E.O

Date: 20/12/24

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