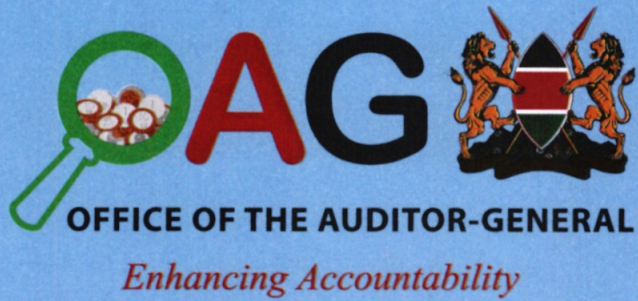


REPUBLIC OF KENYA

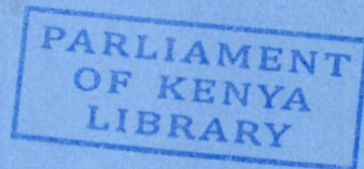


REPORT

OF

THE AUDITOR-GENERAL

ON



**KISII COUNTY HEALTH FACILITIES
IMPROVEMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**

PAPERS LAID	
DATE	19/03/2024
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COMMITTEE	-
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KISII COUNTY HEALTH FACILITIES IMPROVEMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

Table of Contents

1. ACRONYMS & GLOSSARY OF TERMS.....	ii
2. KEY FUND INFORMATION AND MANAGEMENT.....	iii
3. THE BOARD OF MANAGEMENT	v
4. MANAGEMENT TEAM	viii
5. CHAIRMAN'S STATEMENT	ix
6. REPORT OF THE FUND ADMINISTRATOR	xi
7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES	xii
8. CORPORATE GOVERNANCE STATEMENT	xiii
9. MANAGEMENT DISCUSSION AND ANALYSIS	xiv
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xviii
11. REPORT OF THE BOARD OF MANAGEMENT	xix
12. STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES	xx
13. REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR KISII COUNTY.....	xxi
HEALTH FACILITIES IMPROVEMENT FUND	xxi
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023.....	1
15. STATEMENT OF FINANCIAL POSITION AS OF 30 TH JUNE 2023.....	1
16. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2023	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023.....	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023	5
19. NOTES TO THE FINANCIAL STATEMENTS	6
20. APPENDICES.....	16

1. ACRONYMS & GLOSSARY OF TERMS

CECM- County Executive Committee Member

CSR- Corporate Social Responsibility

ENT – Ear Throat and Norse

IPSAS – International Public Sector Accounting Standards

KCG - Kisii County Government

KTRH - Kisii Teaching and Referral Hospital

NHIF – National Hospital Insurance FUND

PFMA-Public Financial Management Act

SMOH- Sub –County Medical officer of Health

2. KEY FUND INFORMATION AND MANAGEMENT

(a) Background information

The Kisii county health facilities improvement fund was established by and derives its authority and accountability from the Kisii county Health Facilities Improvement Fund Act, 2020 on 18th September. The Fund is wholly owned by the County Government Kisii and is domiciled in Kenya.

The fund's objective is to provide for the additional funding for the management of health systems and public facilities improvement in the county, to enable sustainable operations of health facilities and for connected purposes.

(b) Principal Activities

- a) Sustainably operate, maintain, equip, rehabilitate health facilities and procure emergency medical; supplies in funds and health facilities in the county
- b) Enhance participation of relevant stakeholders and host communities in the planning and management of health facilities and funds located in their jurisdiction
- c) Create incentives for funds and health facilities to sustainably generate resources.
- d) Provide funding for the day to day operations of funds and health facilities
- e) Provide for financing of preventive and promotional healthcare services
- f) Provide immediate funds for health related emergencies and disaster
- g) Ensure that the 70% of the funds is used for curative and 30% of the funds is used for preventive and promotive health care services respectively

(c) Key Management

The funds management is under the following key organs:

- County department of health
- Board of Management
- Fund Administrator
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

Ref	Position	Name
1.	Chairperson of the Board	Mrs. Leah Ogega
2.	Member	Dr. Jackline Nyaanga
3.	Chief Officer Medical Services	Mrs. Gladys Gesaka
4.	Chief Officer Finance	Dr. Isaiah Onsarigo Miencha
5.	County Director For Public Health	Dr. Richard Onkware
6.	County Nursing Officer	Mr. Benson Osoro
7.	County Pharmacist	Dr. Kephar Mogere

8.	Fund Administrator (On Leave Wef 28th February 2023)	Dr. Geoffrey Otomu
9.	Fund Administrator (Wef 6 th April 2023)	Dr. Matiko Giabe
10.	Fund Administrator(Wef	Mrs Gladys Aming'a

e) Fiduciary Oversight Arrangements

- i. Audit and Public Finance Committee
- ii. Internal Audit
- iii. Parliamentary Oversight Committees
- iv. Development Partners
- v. County Assembly

Registered Offices

P.O. Box 92'
Kisii Fund Road
Kisii, Kenya

Fund Contacts

Telephone: (254)721422400
E-mail: kisiicountyhealthcoordinator@gmail.com
Website: www.kisii.go.ke

Fund Bankers

Kenya Commercial Bank
P.O. Box 4760-40200
Kisii, Kenya




Independent Auditors





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

Principal Legal Adviser

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

3. THE BOARD OF MANAGEMENT

Name	Details of Qualifications and Experience
<p>Mrs. Leah Ogeaga</p> 	<p>Mrs Leah Ogega is the current CECM-Medical services. Prior to her appointment she served as Kisii county Government(KCG) reproductive health coordinator A.g Deputy county nurse, nursing officer in charge of Nyacheki and Kenya sub- District Hospitals. She's a nurse by Profession with experience in the provision of reproductive health services. She holds a BSC. Community health and development from Jomo Kenyatta University of Agriculture and Technology, and a diploma in registered nursing from Kenya medical Training</p>
<p>Dr. Jackline Nyaanga</p> 	<p>Dr. Nyaanga is a medical officer at Kisii University. She has previously worked at Narok County Referral Fund; Transmara District Fund and Nakuru Provincial Fund. She holds a bachelor of medicine and surgery and currently pursuing a MSc. in Health System Management. She is a member of Kenya Medical Association.</p>
<p>Mrs. Gladys Gesaka Aminga</p> 	<p>Mrs, Gladys is the chief officer Medical services, Public Health and Sanitation and FIF fund administrator. Prior to her appointment she served as the county Head of Clinical Services in Kisii. She was served as a board member in various secondary schools. She holds a BSC of science in clinical Medical and surgery from Kisii University.</p>



<p>Dr. Isaiah Onsarigo Miancha</p> 	<p>Dr. Isaiah Onsarigo Miencha Is the Chief Officer Finance, accounting and revenue management. Prior to his appointment he served as senior lecturer in the department of accounting and finance at Bugema university, dean and masters coordinator at Bunjumbura international university.</p> <p>He Holds PHD in commerce, Master in commerce, accounting, and finance from Bharathidasan University, and a Bachelors of Commerce, Accounting and finance from Karatak University.</p>
<p>Dr. Kephah Mogere Oeri</p> 	<p>Dr, Kephah Mogere Oeri is the county Pharmacist KCG. Previously he served as pharmacist at Kisii Teaching & Refferal Hospital (KTRH) and SMOH of Bonchari sub County.</p> <p>He Holds a Bachelors of Pharmacy from Dr MGR university in India.</p> <p>He is a member of pharmaceutical society of Kenya.</p>
<p>Dr. Richard onkware</p> 	<p>Dr. Onkware is the county director public Health, KCG. He has several working experience</p> <p>He holds MB.chB,MBA,MPH in public health.</p>
<p>Mr. Benson Osoro</p> 	<p>Mr. Benson osoro is the county nursing officer in the kisii county government.</p> <p>He has previously served as a nurse in Lamu sub county fund among other sub county funds in kisii county.</p> <p>He holds a masters and Bachelor`s Degree in nursing from Kisii University</p>

Dr. Matiko Giabe



Dr. Matiko is currently the County Director of Medical Services of the Kisii County Health Facilities Improvement fund. He is A Physician by profession Previously served as Ag. Head of Clinical Services and Head of Quality Assurance and Research at the KTRH.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>Dr. Matiko Giabe</p> 	<p>Dr. Matiko is currently the County Director of Medical Services of the Kisii County Health Facilities Improvement fund. He is A Physician by profession Previously served as Ag. Head of Clinical Services and Head of Quality Assurance and Research at the KTRH.</p>
<p>CPA Kevin Mabeya</p> 	<p>CPA Kevin is the head of Accounts and Finance. He has over 10 years working experience with extensive insight on financial records, budgeting, risk assessment and business strategy review. He holds a Master of Science in Finance from Jomo Kenyatta University of Agriculture and Technology, A bachelor's of Commerce Degree in Banking and Finance. He's a member of the institute of certified Public Accountants of Kenya (ICPAK).</p>

5. BOARD OF MANAGEMENT CHAIRPERSON’S REPORT.

It’s my pleasure to present the funds reports and financial statements for the year ending 30 June 2023. The board of management is happy of the achievements realized by the Fund in this financial year under review towards providing quality healthcare services.

Management and operations of the fund is guided by the existing legal policies and institutional frameworks that govern the health sector to ensure efficient and effective delivery of services.

The funds operations are also influenced by various global, regional and national strategies aimed at promoting, restoring and maintaining the health care service delivery.

In the year under review, the following members exited the board;

- i) Mrs Sarah Omache – Chairperson to the FIF Board
- ii) Ms Alice Abuki- Chief Officer Health
- iii) Mr. Wildred Auma – Chief Officer for finance and Accounting Services
- iv) Mr. Zablon Ongori- Chief Officer for planning and economic Development
- v) Dr. Cheruiyot Kimutai- County Pharmacist Kisii County.
- vi) Dr. Goeffrey Otomu- County Director Medical Services and FIF Fund Administrator
- vii) CPA Osborn Mbego – Director Accounting Services Health

They were replaced by;

- i) Mrs Leah Ogega – Chairperson to the FIF Board
- ii) Mrs Gladys Aming’a – Chief officer health and FIF Fund Administrator
- iii) Dr. Isaiah Miyencha – Chief Officer Finance and Accounting Services
- iv) Dr. Mwengei Ombaba- Chief Officer Economic planning
- v) Dr. Kephhar Mogere – County Pharmacist.
- vi) Dr. Matiko Giabe – County Director Medical Services
- vii) CPA Kevin Mabeya- Head of Accounts - Health

On behalf of the Board, I would like to thank all our stakeholders and development partners for the support they continue to accord the fund I without which our achievements would not have been realized. I would like to express my gratitude to the fund management and staff for their continued hard work and dedication to exemplify our mission and values each day.

The fund seeks to establish sustainability, maintain, equip, rehabilitate health facilities and procure emergency medical supplies in hospitals and health facilities in the county, to enhance participation of relevant stakeholders and host communities in the planning and management of health facilities and hospitals located in its jurisdiction.

Finally, it's through our relentless focus on meeting our customers' needs which will help us to achieve our goals for the long term success of the fund and the benefit of all our stakeholders.



.....
Mrs Leah Ogega
Chairperson of the Board

6. REPORT OF THE FUND ADMINISTRATOR

The Kisii County Health Facilities improvement fund is based on existing government financial management rules and regulations. The fund is used for financing fund operations including but not limited to the following:

- Purchase of pharmaceutical and non-pharmaceutical items
- Maintenance of proper sanitation
- Equipping of various departments
- Running of community outreach programs as well as free medical camps

In order for the funds to be able to sustain their operations, generate cash flow and improve profitability, prudent strategic and financial management policies have been put in place to ensure efficient utilization of the available resources.

We appreciate the support of the County Government of Kisii, the Fund Board members, fund management, staff management, staff members and all our partners for their support in making the financial year a successful one.



.....
Mrs Gladys Aming'a
Secretary to the Board

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Section 164 Subsection 2(f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the county government fund's performance against predetermined objectives.

Kisii County Health Facilities Improvement fund does not have a strategic plan yet, however the fund develops its annual work plans based on the objectives and principles of the Fund. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The objectives of the fund include;

- a) Sustainably operate, maintain, equip, rehabilitate health facilities and procure emergency medical; supplies in funds and health facilities in the county
- b) Enhance participation of relevant stakeholders and host communities in the planning and management of health facilities and funds located in their jurisdiction
- c) Create incentives for funds and health facilities to sustainably generate resources.
- d) Provide funding for the day to day operations of funds and health facilities
- e) Provide for financing of preventive and promotional healthcare services
- f) Provide immediate funds for health related emergencies and disaster
- g) Ensure that the 70% of the funds is used for curative and 30% of the funds is used for preventive and promotive health care services respectively

8. CORPORATE GOVERNANCE STATEMENT

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our procedures and processes are anchored on accountability, transparency, responsibility, and fairness which are the tenets of good corporate governance. Through the board of management Kisii County Health Facilities Improvement fund is complying with statutory requirements.

Appointment and Induction of Board Members

Appointment of Board members is as prescribed under the County Governments Act, 2012 and section 6(1) (a) and (b) of the Kisii county Health Facilities Improvement Fund Act, 2020. The Governor appoints the board members.

Role of the Board

The responsibility of driving good corporate governance and stewardship of the fund is vested in the board of management. The board through its committees provide strategic direction while the Chief Executive Officer assisted by the Executive Management Committee is accountable to the Board for implementing the strategy.

Conflict of interest

Declaration of conflict of interest is a standing agenda in all meetings of the Board and its committees. A register maintained by the institution to record all declarations made by board members.

*Kisii County Health Facilities Improvement Fund
Annual Report and Financial statements for the year ended 30th June 2023*

9. MANAGEMENT DISCUSSION AND ANALYSIS

Syphilis Testing

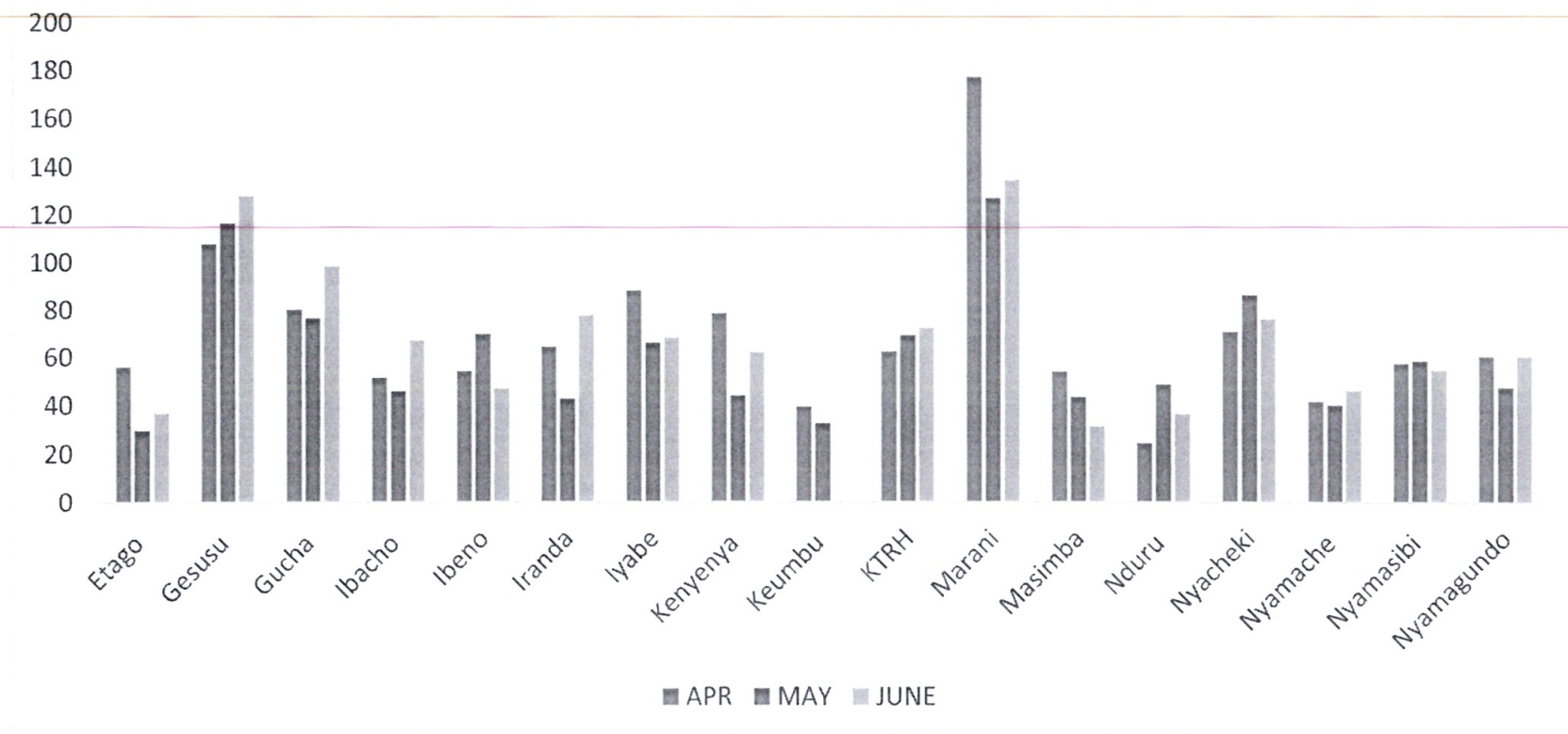
S C Fund	Pregnant women completing 4 ANC visits			4th ANC Coverage			ANC clients tested for syphilis	% Tested for Syphilis				
	APR	MAY	JUNE	APR	MAY	JUNE	APR	MAY	JUNE	APR	MAY	JUNE
Etago	29	16	19	55.9	29.9	36.6			50			100
Gesusu	43	48	51	107.6	116.3	127.7	48	68	38	100	100	86.4
Gucha	74	73	91	80	76.4	98.4		158	121		100	100
Ibacho	13	12	17	51.2	45.7	66.9	18	19	22	100	100	100
Ibeno	15	20	13	54	69.7	46.8	48	39	30	100	100	62.5
Iranda	19	13	23	64.2	42.5	77.7	50			100		
Iyabe	62	48	48	88	65.9	68.1	49	79	69	100	100	100
Kenyenya	57	33	45	78.4	43.9	61.9	77	81	85	100	100	100
Keumbu	35	30		39.2	32.5		71	79		100	100	
KTRH	88	101	102	62.3	69.2	72.2	175	226	177	100	100	100
Marani	58	43	44	176.9	126.9	134.2	53	41	58	100	100	101.8
Masimba	24	20	14	53.9	43.4	31.4	27	50	43	100	100	104.9

*Kisii County Health Facilities` Improvement Fund
Annual Report and Financial Statements for The Year Ended 30th June 2023*

Nduru	14	29	21	24.3	48.6	36.4	45	77	46	100	98.7	97.9
Nyachekei	27	34	29	70.8	86.3	76	44	39	26	100	100	100
Nyamache	27	27	30	41.5	40.1	46.1	41	54	40	100	100	100
Nyamasibi	19	20	18	57.6	58.7	54.6	25	26	22	100	100	100
Nyamagundo	16	13	16	60.6	47.7	60.6	23	33	22	100	94.3	81.5

ANC Coverage

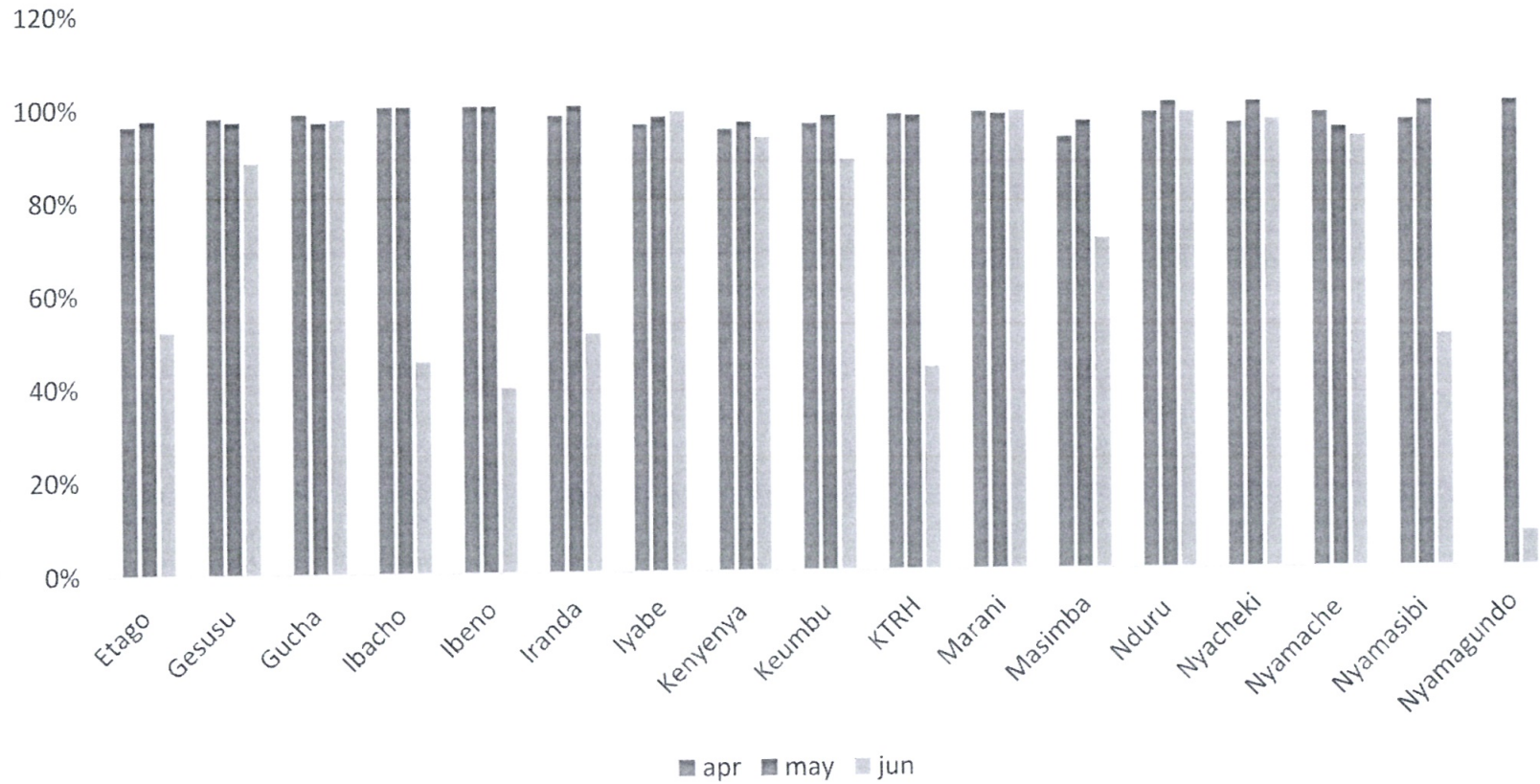
During the period, the ANC Coverage in the various sub county funds is as shown below



HIV Testing

The date below shows the % of HIV testing at PMCTC

***Kisii County Health Facilities' Improvement Fund
Annual Report and Financial Statements for The Year Ended 30th June 2023***



Mrs Gladys Aming'a
Secretary to the Board

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kisii County Health Facilities Improvement Fund exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

As a fund we conduct our operations in a manner that considers the environmental. we are committed to being transparent and open with our operations.

We actively engage with government regulators, customers, suppliers and citizens to create an environment that is supportive of solutions.

ii) Environmental performance

As part of adopting energy efficient technology, hospitals incinerate their medical waste using bags for clinical waste, staff are also provided with personal protective equipment

iii) Employee welfare

Employees are encouraged and supported to continually build on their skills and knowledge in courses in leadership, management and technical competencies relevant to each employee.

iv) Community Engagements

As a way of creating awareness on health seeking behaviour and encourage early diagnosis and treatment, the fund conducts clinical outreaches in the communities within its catchment area.

11. REPORT OF THE BOARD OF MANAGEMENT

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2023, which show the state of the funds' affairs.

Principal activities

- a) Sustainably operate, maintain, equip, rehabilitate health facilities and procure emergency medical; supplies in funds and health facilities in the county
- b) Enhance participation of relevant stakeholders and host communities in the planning and management of health facilities and funds located in their jurisdiction
- c) Create incentives for funds and health facilities to sustainably generate resources.
- d) Provide funding for the day to day operations of funds and health facilities
- e) Provide for financing of preventive and promotional healthcare services
- f) Provide immediate funds for health related emergencies and disaster
- g) Ensure that the 70% of the funds is used for curative and 30% of the funds is used for preventive and promotive health care services respectively

Results

The results of the fund for the year ended June 2023 are set out on page 1

Board of Management

The members of the Board who served during the year are shown on page V. During the year 4 director retired/ resigned, 4 new were appointed.

Auditors

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

By Order of the Board



.....
Mrs Gladys Aming'a
Secretary to the Board

12. STATEMENT OF BOARD OF MANAGEMENT’S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Kisii County Health Facilities Improvement Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Kisii County Health Facilities Improvement Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Kisii County Health Facilities Improvement Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 .The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2023, and of the Fund’s financial position as at that date.

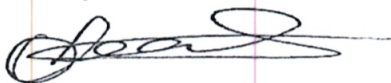
The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Kisii County Health Facilities Improvement Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

The Fund’s financial statements were approved by the Board on 15/01/2024 and signed on its behalf by:



.....
Mrs. Leah Ogega
Chairperson
Board of Management



.....
Mrs Gladys Aming’a
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KISII COUNTY HEALTH FACILITIES IMPROVEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements for Kisii County Health Facilities Improvement Fund set out on pages 1 to 16, which comprise of the statement of financial

position as at 30 June, 2023, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kisii County Health facilities Improvement Fund as at 30 June, 2023, 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 do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Inaccuracies in the Financial Statements

- (i) The statement of financial performance reflects general expenses amount of Kshs.79,100,170 which, as disclosed in Note 10 to the financial statements, includes purchase of computers and purchase of furniture amounts of Kshs.1,594,000 and Kshs.590,450 respectively, which relate to property, plant and equipment and should therefore have been accounted for in the statement of financial position.
- (ii) Further, the statement reflects repairs and maintenance amount of Kshs.12,712,247 which agrees with the supporting ledger schedule. However, the supporting Note 9 to the financial statements includes motor vehicle expenses of Kshs.4,586,439, while the supporting schedule shows a corresponding amount of Kshs.4,885,247, resulting in an unreconciled variance of Kshs.299,560.
- (iii) The statement of financial position and statement of changes in net assets reflect accumulated deficit of Kshs.14,622,058 which differs with the re-computed deficit of Kshs.10,627,676, resulting in an unreconciled variance of Kshs.3,994,382.
- (iv) The statement of cash flows reflects net cash flows from operating activities of negative Kshs.20,106,774 which differs with the re-computed amount of Kshs.3,258,235, resulting in an unreconciled variance of Kshs.23,365,009. The statement also reflects net cash flows from operating activities comparative balance (for the year 2021/2022) of negative Kshs.27,872,738, while the audited financial statements for the previous year shows a corresponding amount of Kshs.15,935,293, resulting in an unreconciled variance of Kshs.11,937,445.
- (v) The statement of comparison of budget and actual amounts reflects total income performance difference of Kshs.125,469,560, instead of the re-cast amount of Kshs.121,475,178, resulting in a casting error of Kshs.3,994,382. Similarly, the statement reflects repairs and maintenance performance difference of Kshs.100,753

which differs with the re-computed amount of negative Kshs.199,247, resulting in an unexplained variance of Kshs.300,000. As a result, the total expenditure performance difference of Kshs.101,668,404 is overstated by Kshs.300,000.

In the circumstances, the accuracy and fair presentation of the financial statements for the year ended 30 June, 2023 could not be confirmed.

2.0 Unsupported Revenue Amounts and Anomalies in Management of Revenue

The statement of financial performance reflects rendering of services-medical service income balance of Kshs.139,262,197 as disclosed in Note 6 to the financial statements. The following unsatisfactory matters were noted:

- i. The statement of financial performance reflects rendering of services, medical service income amount of Kshs.139,262,197 which differs with a corresponding amount of Kshs.141,436,461 shown in Note 6 to the financial statements and schedules, resulting in an unreconciled variance of Kshs.2,174,264.
- ii. Review of documents provided for audit revealed that revenue collected by health facilities and transferred to KCB Main Bank account were not supported by the invoices raised detailing the services rendered from each hospital and the amount banked.
- iii. Audit inspection conducted on 17 November, 2023 at Keumbu, Nyamache, Etago, Gesusu, Nduru and Gucha Sub-County Hospitals revealed that the IT Systems in place were only used to post payments received for services rendered, and that the IT systems were not interlinked with various departments within the hospitals for reconciliation purposes.
- iv. Daily checking or supervision of the activities of the staff charged with the responsibilities of postings in the cash book and preparation of monthly bank reconciliation statements was also lacking to ensure that correct entries were entered in the cash book and reconciled with bank records.
- v. Banking summaries for five (5) facilities namely: Iranda, Isecha, Kenyena, Nyacheki and Nyamagundo, were not provided for audit and, therefore, it was not possible to confirm how much was received from the facilities during the year under review.
- vi. The Fund utilised the revenue from the sub-county facilities accounts without Kisii County Assembly's approval, contrary to the requirements of Section 131(1) of the Public Finance Management Act, 2012.
- vii. The opening and the operation of nineteen (19) sub-county hospitals in Kisii County and Kisii Public Health Office bank accounts were done without the authority of the County Treasury, contrary to the provisions of Regulation 82(4) of the Public Finance Management (County Governments) Regulations, 2015.

viii. All the revenue collected from the nineteen (19) sub-county hospitals and Kisii District Public health Office were transferred to the main Fund Account at Kenya Commercial Bank, and not to the County Treasury Account, contrary to the provisions of Regulation 63 of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the accuracy and completeness of the total revenue balance of Kshs.139,262,197 and the effectiveness of internal controls and risk management over revenue could not be confirmed. Also, Management was in breach of the law.

3.0 Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.10,182,442 as disclosed in Note 11 to the financial statements. However, review of the cash book, bank reconciliation statements and bank statements provided for audit revealed the following anomalies:

- i. The balance of Kshs.10,182,441 excludes balances amounting to Kshs.20,396,666 reflected in the cash books and bank statements of twenty-three (23) level four (4) health facilities that had not been transferred to the Fund's main account at Kenya Commercial Bank.
- ii. The bank reconciliation statement for the Fund's KCB Main Account reflects unrepresented cheques as at 30 June, 2023 amounting to Kshs.36,642,811 whose payment vouchers and bank statements confirming when they were eventually paid were not provided for audit. Further, the amount of Kshs.36,642,811 includes state cheques amounting to Kshs.987,776 which had not been cancelled or reversed in the cash book. In addition, it was observed that the cash book did not indicate the monthly receipts generated from each level 4 hospitals.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.10,182,441 as at 30 June, 2023 could not be confirmed.

4.0 Unconfirmed Trade Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.72,920,640 whose supporting scheduler lacked crucial details such as local purchase order numbers and dates contracted. Management has indicated that local purchase orders were not used in the process of procuring the goods valued at Kshs.72,920,640 which was a violation of procurement procedures.

In the circumstances, the existence and accuracy of the balance of Kshs.72,920,640 could not be confirmed.

5.0 Non-Compliance with the Financial Reporting Requirements

The financial statements presented for audit revealed various presentation and disclosure anomalies, contrary to Section 164(1) of the Public Finance Management

Act, 2012, which requires accounting officer of a county government entity to prepare financial statements of the entity in format to be prescribed by the Accounting Standards Board:

- i. Under Part 2-Key Fund Information and Management: The numbering of sections or paragraphs is not complete; Fund Management Committee table is omitted; and Key Management (Section c) is not presented in form of a table with three columns as required.
- ii. The Chairperson's Statement lacks information on the Fund's performance and future outlook.
- iii. The Report of the Fund Administrator lacks the following information: Budget performance against actual amounts for current year and for cumulative to-date based on programmes, making use of pictures, tables pie charts and graphs; physical progress based on outputs, outcomes and impacts since establishment of the Fund, making use of actual figures and percentages; comments on each of the programs implemented by the fund and how they have been achieved; comment on value-for-money achievements; list of the implementation challenges of strategic objectives for the Fund and the entity's future outlook; and highlight of key risk management strategies.
- iv. The statement of performance against predetermined objectives does not include a table showing progress on attainment of strategic development objectives.
- v. The Corporate Governance Statement lacks information on the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a board charter, process of appointment and removal of board members, roles and functions of the Board, induction and training, board and member performance, board remuneration and ethics and conduct as well as governance audit.
- vi. The statement of cash flows includes adjustment for changes in receivables and payables which is not provided for in the prescribed reporting template.
- vii. Note 15 to the financial statements on trade and other payables does not include aging analysis of the trade payables of Kshs.72,930,640 as required.
- viii. Note 16 to the financial statements on cash generated from operations is not presented in the prescribed format as the first row is not the one reflecting deficit for the year of Kshs.20,106,774 (Kshs.27,872,783 for 2021/2022) as required.
- ix. Note 17 to the financial statements does not disclose related party transactions.

In the circumstances, the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board. Also, Management was in breach of the law.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final revenue budget and actual on comparable basis amounts of Kshs.260,737,375 and Kshs.139,262,197 respectively, resulting in an underfunding of Kshs.121,475,178 (or 47% of the budget). Similarly, the Fund spent Kshs.159,368,971 out of the expenditure budget of Kshs.260,737,375, resulting in an under-expenditure of Kshs.101,368,404 (or 39% of the budget).

The underfunding and under expenditure affected the Fund's planned activities and may have impacted negatively on service delivery to the public.

My opinion is however not modified in respect of this matter.

Other Matter

Unresolved Prior Year Matters

In the audit report for the previous year, two (2) audit matters were raised under Report on the Financial Statements. These were long outstanding receivables from exchange transactions and budgetary control and performance. However, these prior year's audit matters had not been resolved as at 30 June, 2023 and Management has not provided satisfactory reasons for not resolving them. Further, one of the two (2) prior year audit matters has not been disclosed in the progress on follow up of prior year's auditor recommendations section of the financial statements as required by the Public Sector Accounting Standards Board reporting template.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on

Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Failure to Develop Fund Operation Guidelines

Contrary to Section 6(1)(i) and (l) of the Kisii County Health Facilities Improvement Fund Act, 2020, the Fund's Board had not developed the operation guidelines for the implementation of the Fund and had not written an annual report on the operations and performance of the Fund.

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

2.0 Failure to Prioritize Payment of Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.72,920,640 which, as disclosed in note 15 to the financial statements and as indicated in the documents provided for audit, includes the brought forward balance of Kshs.47,381,367. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes

and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

report. However, future events or conditions may cause the Fund to cease to sustain its services.

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

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

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


FCPA Nancy Gathungu CBS
AUDITOR-GENERAL

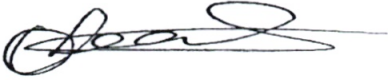
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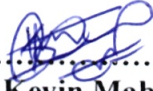
30 January, 2024

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

Description	Note	2022/23	2021/22
		Kshs	Kshs
Revenue from non-exchange transactions			
Revenue from exchange transactions			
Rendering of services- Medical Service Income	6	139,262,197	135,521,854
Total revenue		139,262,197	135,521,854
Expenses			
Medical/Clinical costs	7	61,959,264	53,877,337
Board of Management Expenses	8	5,597,290	4,316,380
Repairs and maintenance	9	12,712,247	14,521,240
General expenses	10	79,100,170	90,679,680
Total expenses		159,368,971	163,394,637
Net Surplus for the year		(20,106,774)	(27,872,783)

The Fund's financial statements were approved by the Board on 15/01/2024 and signed on its behalf by:


.....
Mrs. Leah Ogega
Chairperson
Board of Management


.....
CPA Kevin Mabeya
Head of Finance
ICPAK No:22784

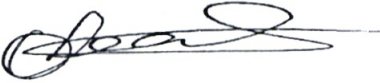

.....
Mrs Gladys Aming'a
Fund Administrator

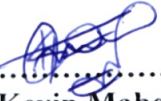
15. STATEMENT OF FINANCIAL POSITION AS OF 30TH JUNE 2023

Description	Note	2022/23	2021/22
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	11	10,182,442	6,924,207
Receivables from exchange transactions	13	48,116,140	45,941,894
Receivables from non-exchange transactions	14	-	3,994,364
Total Current Assets		58,298,582	56,860,465
Total assets		58,298,582	56,860,465
Liabilities			
Current liabilities			
Trade and other payables	15	72,920,640	47,381,367
Total Current Liabilities		72,920,640	47,381,367
Total Liabilities		72,920,640	47,381,367
Net assets			
Accumulated surplus/Deficit		(14,622,058)	9,479,098
Total Net Assets and Liabilities		58,298,582	56,860,465

(The notes set out on pages 6 to 16 form an integral part of the Annual Financial Statements.)

The Fund's financial statements were approved by the Board on 15/01/2024 and signed on its behalf by:


.....
Mrs. Leah Ogega
Chairperson
Board of Management


.....
CPA Kevin Mabeya
Head of Finance
ICPAK No:22784


.....
Mrs Gladys Aming'a
Fund Administrator

16. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2023

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021		37,351,881	-	37,351,881
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(27,872,783)	-	(27,872,783)
Capital/Development grants	-	-	-	-
As at June 30, 2022	-	9,479,098	-	9,479,098
At July 1, 2022	-	9,479,098	-	9,479,098
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(20,106,774)	-	(24,101,156)
Capital/Development grants	-	-	-	-
At June 30, 2023	-	(14,622,059)	-	(14,622,059)

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

Description		2022/23	2021/22
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income	6	139,262,197	135,521,854
Total Receipts		139,262,197	135,521,854
Payments			
Medical/Clinical costs	7	61,959,264	53,877,337
Board of Management Expenses	8	5,597,290	4,316,380
Repairs and maintenance	9	12,712,247	14,521,240
General expenses	10	79,100,170	90,679,680
Bank charges Refundable	14	-	-
Total Payments		159,368,971	163,394,637
Adjusted for.			
Change in Receivables		(2,174,264)	6,589,530
Change in Payables		25,539,273	5,347,960
Net cash flows from operating activities		(20,106,774)	(27,872,783)
Net increase/(decrease) in cash and cash equivalents		3,258,235	(15,935,293)
Cash and cash equivalents at 1 July		6,924,207	22,859,500
Cash and cash equivalents at 30 June	11	10,182,442	6,924,207

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Description	Original budget a	Adjustments b	Final budget c=(a+b)	Actual on comparable basis d	Performance difference e=(c-d)	% of utilization f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Rendering of services- Medical Service Income	260,737,375	-	260,737,375	139,262,197	121,475,178	53%
Total income	260,737,375	-	260,737,375	139,262,197	125,469,560	52%
Expenses						
Medical/Clinical costs	113,902,933	-	113,902,933	61,959,264	51,943,669	54%
Board of management	9,026,050	-	9,026,050	5,597,290	3,428,760	62%
Repairs and maintenance	12,513,000	-	12,513,000	12,712,247	100,753	99.2%
General expenses	125,295,392	-	125,295,392	79,100,170	46,195,222	61%
Total Expenditure	260,737,375	-	260,737,375	159,368,971	101,668,404	61%
Surplus for the period				(20,106,774)		

Budget notes

1. Underutilization of medical service income by 47% was due to lower than expected demand for medical services
2. Underutilization of medical cost by 46% was due to lower than expected demand for medical services
3. Underutilization of Board of management expenses 47% was due to fewer than projected board activities in the year
4. Underutilization of repairs and maintenance by 0.8% was due to lower than expected demand of medical services
5. Underutilization of general expenses by 39% was due to lower than expected demand for medical services

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kisii County Health Facilities Improvement Fund entity is established by and derives its authority and accountability from the Kisii County Health Facilities Improvement Fund Act. The entity is wholly owned by the Kisii County Government and is domiciled in Kenya. The entity's principal activity is to provide for the additional funding for the management of health systems and public facilities improvement in the county, to enable sustainable operations of health facilities and for connected purposes.

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 fund's accounting policies.

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

3. Adoption of New and Revised Standards

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.

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

<p>Standard IPSAS 41: Financial Instruments</p>	<p>Effective date and impact: 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 Fund’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 Fund’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Fund; (b) The key features of the operation of those social benefit schemes; and

Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>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.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <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>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an</p>

***Kisii County Health Facilities Improvement Fund
Annual Report and Financial Statements for The Year Ended 30th June 2023***

Standard	Effective date and impact:
	<p>Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<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>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact
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 Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires: -</p> <p>i. Assets that meet the criteria to be classified as held for sale to be measured at</p>

Standard	Effective date and impact
for Sale and Discontinued Operations	<p>the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>ii. 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>

iii. Early adoption of standards

The fund did not early – adopt any new or amended standards in the year 2022/2023

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

a) Revenue from exchange transactions

i) Rendering of services

The fund 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.

b) Budget information

The original budget for FY 2022/2023 was approved by Board .No *Subsequent* revisions or additional appropriations were made to the approved budget .The fund’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 Budgetary notes to these financial statements.

c) Related parties

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

d) 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.

e) Comparative figures

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

f) 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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Fund'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.

6. Rendering of Services-Medical Service Income

Description	2022/23	2021/22
	Kshs	Kshs
User fee	118,230,998	86,910,614
NHIF	23,205,463	48,611,240
Total revenue from the rendering of services	141,436,461	135,521,854

7. Medical/ Clinical Costs

Description	2022/23	2021/22
	Kshs	Kshs
Laboratory chemicals and reagents	8,668,230	9,143,224
Food and Ration	13,281,636	12,383,547
Dressing and Non-Pharmaceuticals	14,815,835	14,619,527
Pharmaceutical supplies	13,655,950	7,248,882
Health information stationery	3,292,018	2,966,017
Sanitary and cleansing Materials	5,417,275	4,459,768
Purchase of Medical gases	696,650	76,310
X-Ray/Radiology supplies	1,938,470	1,004,900
Anti-Jigger Chemicals	193,200	-
Medical and dental	-	1,975,162
Total medical/ clinical costs	61,959,264	53,877,337

8. Board of Management Expenses

Description	2022/23	2021/22
	KShs	KShs
Sitting allowance	4,023,390	4,316,380
Induction and training	1,573,900	-
Total	5,597,290	4,316,380

9. Repairs and Maintenance

Description	2022/23	2021/22
	Kshs	Kshs
Plant and Machinery	1,679,018	2,967,077
Medical equipment	3,536,061	2,138,673
Computers and accessories	60200	4,624,437
Motor vehicle expenses	4,586,439	2,978,206

*Kisii County Health Facilities Improvement Fund
Annual Report and Financial Statements for The Year Ended 30th June 2023*

Buildings and Stations	2,550,969	1,812,847
Total repairs and maintenance	12,712,247	14,521,240

10. General Expenses

Description	2022/23	2021/22
	Kshs	Kshs
Catering expenses	968,528	680,200
Household Items	360,862	93,815
Bank charges	86,997	299,817
Computer Accessories	2,157,677	3,151,754
Contracted services	30,763,772	29,274,150
Electricity expenses	11,402,654	8,898,384
Purchase of computers	1,594,000	2,259,450
Travel and accommodation allowance	7,073,705	21,907,950
Purchase of Furniture	590,450	580,750
Printing	1,582,498	2,283,746
Stationery	5,189,428	6,404,570
Other gas fuel	2,144,580	2,379,390
Water and sewerage costs	972,776	1,167,745
Courier services	112,725	0
Telephone and mobile phone services	3,361,541	4,081,041
Refined Fuel	6,553,753	7,329,953
Staff training and development	4,184,224	2,727,165
Total General Expenses	79,100,170	93,519,880

11. Cash and Cash Equivalents

Description	2021/22	2021/22
	Kshs	Kshs
Current accounts	10,182,441	6,924,207
Total cash and cash equivalents	10,182,441	6,924,207

12 (a). Detailed Analysis of Cash and Cash Equivalents

Description		2022/23	2021/22
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1282543164	10,182,441	6,924,207
Total		10,182,441	6,924,207

13. Receivables from Exchange Transactions

Description	2022/23	2021/22
	Kshs	Kshs
Medical services receivables	48,116,140	45,941,894
Total receivables	48,116,140	45,941,894

14. Receivables from Non-Exchange Transactions

Description	2022/23	2021/22
	Kshs	Kshs
Bank Charges Refundable	-	3,994,364
Total	-	3,994,364

15. Trade and Other Payables

Description	2022/23	2021/22
	Kshs	Kshs
Trade payables	72,920,640	47,381,367
Total trade and other payables	72,920,640	47,381,367

16. Cash Generated from Operations

Description	2022/23	2021/22
	KShs	KShs
Refunded Bank Charges	-	-
Working Capital adjustments		
Increase in receivables	(2,174,264)	7,569,264
Increase in payables	25,539,273	5,347,960
Net cash flow from operating activities	(27,359,391)	12,917,224

Notes to the Financial Statements (Continued)

17. Related Party Balances

Nature of related party relationships

Entities and other parties related to the fund include those parties who have the 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 county Government of Kisii is the principal shareholder of the fund, holding 100% of the *fund's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the fund, both domestic and external. Other related parties include:

- i) The County Government of Kisii;
- ii) Ministry of Health Services, County Government of Kisii;
- iii) County Assembly of Kisii;
- iv) Key management of the Fund; and
- 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 Fund

The fund is County Public Fund under the Ministry of Health (MOH). Its ultimate parent is the Government of Kenya.

20. Currency

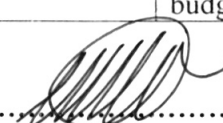
The financial statements are presented in Kenya Shillings (Kshs).

21. APPENDICES

Appendix 1: Progress on Follow up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status	Timeframe
	The statement of comparison of budget and actual amount reflects final revenue budget and actual on comparable basis amounts of Kshs 260, 737,375 and Kshs 135,267,815 respectively, resulting in an underfunding of Kshs 125,469,560(or 48% of the budget). Similarly, the Fund spent Kshs 159,368,971 out of the expenditure budget of Kshs 260,737,375 resulting in an expenditure of Ksh 101,668,404 (or 39% of the budget)	The underfunding and under expenditure affected the fund's planned activities and may have impacted negatively on service delivery to the public.	Not resolved	30.06.2024

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Gladys Aminga
Accounting Officer