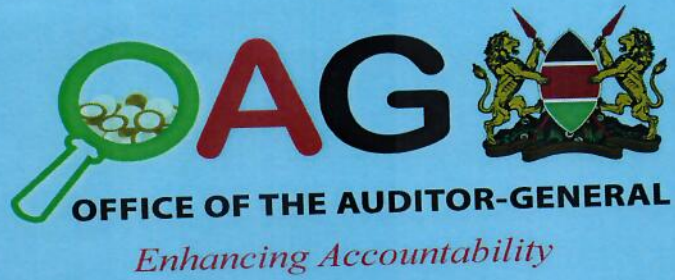


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

NATIONAL HOSPITAL INSURANCE FUND

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



Afya Yetu. Bima Yetu

ANNUAL REPORT AND FINANCIAL STATEMENTS

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

24 JUN 2022

RECEIVED



FOR THE FINANCIAL
YEAR ENDED JUNE 30,
2021

PREPARED IN ACCORDANCE WITH THE ACCRUAL BASIS OF ACCOUNTING
METHOD UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS
(IFRS)

NATIONAL HOSPITAL INSURANCE FUND

Reports and Financial Statements

For the year ended June 30, 2021

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management submit their report together with the financial statements for the year ended June 30, 2021 which show the state of the Fund's affairs.

Principal activities

The principal activity of the Fund is to receive income for healthcare financing of all its members.

Results

The results of the Fund for the year ended June 30, 2021 are set out on pages 57 - 118. Below (Page 57) is the summary of the surplus made during the year.

Board of Management

The members of the Board of Management who served during the year are shown on page 6.

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,



.....

Ms. JANET BOIT

Ag. CORPORATION SECRETARY

DATE: 30th September 2021.

NATIONAL HOSPITAL INSURANCE FUND

Reports and Financial Statements

For the year ended June 30, 2021

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and Section 38 of the NHIF Act, require the board to prepare financial statements in respect of that Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

The Board 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 (period) ended on June 30, 2021. These responsibilities include:

- (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 Board accept responsibility for the Fund's financial statements, which have been prepared based on information provided by Management, appropriate accounting policies supported by reasonable and prudent judgements and estimates and in conformity with International Financial Reporting Standards (IFRS). The accounts are prepared in the format required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Directors 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.

NATIONAL HOSPITAL INSURANCE FUND
Reports and Financial Statements
For the year ended June 30, 2021

Nothing has come to the attention of the Board 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 30th September 2021 and signed on its behalf by:



.....
CHIEF EXECUTIVE OFFICER



.....
CHAIRPERSON

REPUBLIC OF KENYA

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-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL HOSPITAL INSURANCE FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

Qualified Opinion

I have audited the accompanying financial statements of National Hospital Insurance Fund set out on pages 57 to 116, which comprise the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of

Report of the Auditor-General on National Hospital Insurance Fund for the year ended 30 June, 2021

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respect, the financial position of the National Hospital Insurance Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the National Hospital Insurance Fund Act, 1998.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Disputed ownership of Land

As previously reported, included in the property, plant and equipment balance of Kshs.13,044,666,460 in the statement of financial position is land valued at Kshs.298,589,665 which as disclosed in Note 22 to the financial statements includes an amount of Kshs.93,712,675 for land measuring 10 hectares situated in Karen. However, the ownership of this parcel of land is in dispute and the matter is in Court. Information available indicate that the Directorate of Criminal Investigations (DCI) has commenced investigation to establish whether there was fraud in the transfer of ownership of the land. Progress made on the investigation has not been disclosed in these financial statements.

In the circumstances, the ownership of land valued at Kshs.298,589,665 as at 30 June, 2021 could not be confirmed.

1.2 Doubtful Work-In-Progress at Karen Land

As previously reported, included in the property, plant and equipment balance of Kshs.13,044,660,460 is capital work in progress balance of Kshs.1,444,687,484 being payments for drawings and designs for the proposed Resource Centre. However, the construction of the Resource Centre has not commenced, seventeen (17) years since the acquisition of the land. Management has explained that construction of the Resource Centre was yet to commence due to lack of approval from the parent Ministry and the land ownership dispute in court.

Although the issue had been discussed by the Public Investment Committee (PIC), no action appears to have been taken on the PIC recommendations that the Fund should expeditiously pursue the prosecution and conclusion of the case to its logical conclusion.

In the circumstances, the validity and existence of capital work in progress balance of Kshs.1,444,687,484 as at 30 June, 2021 could not be confirmed.

2. Construction of Multi Storey Car Park

As previously reported, the Fund entered into an agreement with a local construction firm for construction and completion of a multi storey car park at a contract sum of Kshs.909,709,305 which was revised to Kshs.1,179,611,756. Review of records provided

for audit revealed that the project commenced in May, 2002 and completed at a cost of Kshs.3,342,120,239 in July, 2008, five (5) years after the scheduled completion date of August, 2003. Further, expenditure totalling to Kshs.626,635,998 and Kshs.4,706,521 was incurred in 2009/2010 and 2010/2011 respectively on the car park increasing its total cost to Kshs.3,973,462,758 resulting to a contract variation of Kshs.3,063,753,453 or 337% of the original contract. Management has not provided explanation for the unjustified increase of the total cost of the project.

Although the issue has been discussed by the Public Investment Committee, no action has been taken on the Committee recommendations that the Ethics and Anti-Corruption Commission should institute and fast track investigation on the project. As at the time of this audit in April, 2002, no progress report had been received from the Commission.

In the circumstances, validity and accuracy buildings balance of Kshs.2,064,844,467 as at 30 June, 2021 could not be confirmed.

3. Unquoted Investments

As previously reported, the statement of financial position reflects unquoted investment balance of Kshs.340,934,558 out of which Kshs.286,734,558 relates to a loan advanced by the Fund to Moi Teaching and Referral Hospital (MTRH) at an interest rate of 3% per annum. However, the loan was not supported with a signed loan agreement between the Fund and MTRH defining the terms of the loan, purpose and repayment methods. Further, MTRH has disputed the advocates/legal costs amounting to Kshs.40,883,040 charged to its loan account. Although the Management has acknowledged the omission, it was not explained how the anomaly will be resolved and the fallback plan in case of default by the Hospital.

In addition, the unquoted investment balance of Kshs.340,934,558 includes Consolidated Bank shares of Kshs.54,200,000. However, the shares are not traded in and no dividend has been earned in the past. The investment in Consolidated Bank shares is, therefore, impaired.

In the circumstances, the validity and existence of unquoted investments balance of Kshs.340,934,558 as at 30 June, 2021 could not be confirmed.

4. Short Term Deposits (Investments)

As previously reported, the statement of financial position reflects short term deposits (investments) balance of Kshs.15,078,178,771 which is net of provision for impaired investments of Kshs.1,304,410,609. The provision includes an amount of Kshs.49,500,000 which had been deposited by the Fund on 26 June, 2001 with the Consolidated Bank Limited. The entire deposit of Kshs.49,500,000 was offset by the Bank against a guarantee executed by the former Fund Chief Executive Officer on behalf of Euro Bank Limited. It is not clear and the Management has not explained the circumstances under which the Fund's deposit was used as a guarantee by the then Chief Executive Officer.

The Public Investment Committee recommended in the 21st report that;

- (i) The then Chief Executive Officer (CEO) of NHIF be held accountable for any losses incurred in the irregular investment of the surplus funds in Consolidated

Bank and therefore be surcharged for Kshs.40,065,205, being the value of the undeposited cheque No.022477 of 23 September, 2002 from Euro Bank;

- (ii) The then Consolidated Bank's CEO and Finance Manager should be held accountable for colluding with NHIF to mismanage the invested funds;
- (iii) In view of the fact that the Fund had no capacity to provide guarantee for a loan to a private bank, Consolidated Bank should pay the amount of Kshs.49.5 million owed to the Fund;
- (iv) The then Senior Management of Consolidated Bank including the then Managing Director, and Finance Manager should also be held accountable for colluding with NHIF to mismanage the invested funds.
- (v) The former Managing Director of Consolidated Bank should be surcharged for the funds that were advanced to Euro Bank in overnight lending. He should further be held accountable for the Kshs.49.5 million which the Bank could not recover from the Fund and consequently offset the same against the fixed deposits of NHIF.
- (vi) NHIF should relentlessly pursue Consolidated Bank for recovery of Kshs.49,500,000.
- (vii) NHIF CEO must ensure that all financial investments by the Fund are done in accordance with Treasury Circular No.10 of 1992 and Section 28(1) of the Public Finance Management Act, 2012.

However, no action appears to have been taken by Management to recover the loss of Kshs.49,500,000.

In the circumstances, the value and existence of the short-term deposits (investments) balance of Kshs.15,078,178,771 as at 30 June, 2021 could not be confirmed.

5. Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.11,833,069,086, and as disclosed in Note 30 to the financial statements. However, the following unsatisfactory matters were noted:

5.1 Long Outstanding Return to Drawer (R/D) Cheques

The statement of financial position reflects a balance of Kshs.11,833,069,086 in respect of trade and other receivables which includes R/D Cheques of Kshs.14,790,981 from various institutions and which have been long outstanding for more than six (6) months with some dating back to year 2013. However, Management has not made any efforts to have the cheques replaced.

In the circumstances, the validity, accuracy, and recoverability of R/D cheques balance of Kshs.14,790,981 as at 30 June, 2021 could not be confirmed.

5.2 Long Outstanding Insurance Claim

As previously reported, included in the balance of sundry debtors of Kshs.7,246,750 is an insurance claim for a motor vehicle amounting to Kshs.4,414,750 which was involved in an accident on 27 April, 2018. However, the claim has not been paid to-date and Management has not provided explanation for failure to recover the long outstanding insurance claim.

In the circumstances, the recoverability of sundry debtors balances of Kshs.4,414,750 as at 30 June, 2021 could not be confirmed.

6. Benefit Expenses

6.1 Double Payment for Specialized Benefit Packages

The statement of financial performance reflects national health scheme expenses of Kshs.28,236,045,834 which includes specialized benefit packages totalling Kshs.15,580,660,100 as disclosed in Note 18 to the financial statements. However, the expenditure included double payments of Kshs.2,370,000 for C-section deliveries and which Management has not provided any explanation for the double payment.

In the circumstances, the validity of specialized benefit packages totalling Kshs.15,580,660,100 for the year ended 30 June, 2021 could not be confirmed.

6.2 Linda Mama Benefit Expenses

6.2.1 Overpayment Above Specified Limits

The statement of financial performance reflects Linda Mama benefit expenses of Kshs.4,948,139,361 as disclosed in Note 15 to the financial statements. However, the benefits exceeded the recommended ceiling by Kshs.210,355,297 contrary to the Board Papers of 28 January, 2016, 15 December, 2015 and internal Memo referenced HF/LD/23 Vol.III (43) which specified the limits for C-Section, Normal Delivery, Minor Surgery Major Surgery MRI, Rehabilitation, CT-Scan, Chemotherapy, Radiology.

Consequently, Management was in breach of the Board's decisions.

6.2.2 Double Payments

Included in the Linda Mama benefit expenses amount of Kshs.4,948,139,361 and as reflected in Note 15 to the financial statements are caesarian and normal delivery expenses of Kshs.3,044,194,898 which included a double payment of Kshs.24,773,550.

In the circumstances, the accuracy and validity of Linda Mama program expenses of Kshs.31,321,750 for the year ended 30 June, 2021 could not be confirmed.

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual on comparable basis of Kshs.80,708,438,000 and Kshs.57,918,838,000 respectively resulting to a revenue shortfall of Kshs.87,880,563 against actual receipts of Kshs.38,885,395 resulting to an under collection of Kshs.22,790,080,000 or 28% of the budget. Similarly, the actual expenditure for the year amounted to Kshs.61,749,443,000 against a budget of 75,198,094,000 resulting in an overall under absorption of Kshs.13,448,651.

There is need for the Fund to review its budget making process with a view to developing a vibrant budget implementation follow up mechanism and feedback process to ensure that all projects and activities are implemented as planned for the Fund to meet its mission and objectives for the benefits of the citizens.

2. Prior Year Issues

The audit report for the year ended 30 June, 2020 raised several issues in regard to balances reflected in the financial statements, lawfulness and effectiveness in use of resources and effectiveness of internal controls, risk management and governance. The report of Management on progress made in resolving the issues indicates that some of the issues have been resolved. However, the report does not provide disclosure on how issues raised in the audit report were resolved.

Management has explained that the issues are yet to be discussed by Parliament.

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

Basis for Conclusion

1.0 Long Outstanding Staff Receivables

Included in the staff receivables balance of Kshs.8,026,605 as reflected in Note 30 to financial statements is salary advance totalling Kshs.4,021,884. However, the advances were not recovered from staff within twelve (12) months. This is contrary to paragraph section C.6(5) of the Human Resource Policies and Procedure Manual, 2016 for the

Public Service which limits the recovery period for salary advance to a maximum of twelve (12) months.

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

2.0 Delayed Surrender of Temporary Imprest

The statement of financial position reflects trade and other receivables balance of Kshs.11,833,069,086 which include temporary imprest of Kshs.7,156,061 as disclosed in Note 30 to the financial statements. However, temporary imprest totalling Kshs.359,400 has been outstanding for over four (4) months. This is contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

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

3.0 Irregular Payment of Acting Allowance

The statement of financial performance reflects staff costs of Kshs.5,210,851,097 which include acting allowance of Kshs.12,479,934 as disclosed in Note 19 to the financial statements. The acting allowance include an expenditure of Kshs.5,506,395 paid to employees who have been acting for more than six (6) months. This is contrary to paragraph Section C.14(1) of NHIF Human Resource Policies and Procedure Manual, 2020 which states that acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management was in breach of law.

4.0 Failure to Settle Legal Expenses

The statement of financial performance reflects other operating expenses of Kshs.1,648,584,680 which include legal expenses of Kshs.40,609,210 as disclosed in Note 21 to the financial statements out of which Kshs.19,709,232 was paid to a firm representing the Fund in High Court Civil Suit No. 345 of 2013. The Fund had been sued for terminating two (2) contracts of Kshs.77,678,000 without issuing three (3) months' notice as required. However, the Fund lost the case and was ordered to pay Kshs.130,587,018 plus interest at court rates and costs of the suit.

The Fund risks further loss due to delayed settlement of the court verdict.

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, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on 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

Unsupported Expenditure

The statement of financial performance reflects Linda Mama Benefit expenses of Kshs.4,948,139,361 as disclosed in Note 15 to the financial statements. However, the signed Memorandum of Understanding between the Ministry of Health and National Hospital Insurance Fund was not provided for audit verification.

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

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern 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.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 August, 2022

NATIONAL HOSPITAL INSURANCE FUND

Reports and Financial Statements

For the year ended June 30, 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	JUNE 2021	JUNE 2020
		KES	KES
REVENUES			
National Health Scheme Contributions	6	31,621,331,719	31,254,581,423
Civil Servant Scheme Contributions & Premium	7	6,022,658,067	6,138,826,763
NPS & KPS Scheme Contributions & Premium	8	7,028,116,989	6,983,517,537
Edu Afya Medical Scheme Premium	9	4,050,000,000	4,050,000,000
HISP OVC Program Premium	10	1,341,820,000	1,091,808,000
HISP (OPPSD) Program Premium	11	276,000,000	252,000,000
County Scheme Contributions & Premium	12	2,739,988,156	3,263,039,986
Parastatal Schemes Contributions & Premium	13	1,047,798,983	2,094,180,160
Retirees Schemes Premium	14	551,782,076	330,108,999
Linda Mama Program Premium	15	4,948,139,361	4,041,850,985
WIBA - NPS/KPS Premiums	16	1,147,797,220	-
TOTAL REVENUES		60,775,432,570	59,499,913,854
BENEFITS EXPENSES			
National Health Scheme Expenses	18	28,236,045,834	29,971,058,098
Civil Servant Scheme Expenses	7	6,734,203,627	6,650,824,817
NPS & KPS Scheme Expenses	8	8,255,928,224	7,141,726,047
Edu Afya Medical Scheme Expenses	9	1,850,335,509	2,334,613,644
HISP OVC Program Expenses	10	250,641,181	53,804,656
HISP (OPPSD) Program Expenses	11	81,847,746	18,788,821
County Scheme Expenses	12	1,234,656,419	1,554,539,849
Parastatal Schemes Expenses	13	1,063,751,144	1,743,714,242
Retirees Schemes Expenses	14	762,420,144	851,377,813
Linda Mama Benefit Expenses	15	4,948,139,361	4,041,850,985
WIBA - NPS/KPS Expenses	16	643,769,429	-
TOTAL BENEFIT EXPENSES		54,061,738,618	54,362,298,973
GROSS PROFIT		6,713,693,952	5,137,614,881
Other Income	17	1,373,686,725	1,324,106,263
TOTAL REVENUES		8,087,380,677	6,461,721,145
OPERATING EXPENSES			
Staff Costs	19	5,210,851,097	4,910,700,177
Board Expenses	20	27,681,665	22,734,267
Other Operating Expenses	21	1,648,584,680	1,795,869,728
Depreciation of PPE	22	282,817,145	307,092,700
Amortization of Intangible Assets	23	246,064,689	337,657,928
Finance Expenses	24	37,412,914	64,895,434
Total Operating Expenses		7,453,412,190	7,438,950,235
PROFIT/ (LOSS) BEFORE TAXATION		633,968,486	(977,229,090)
Tax Expense	25	184,063,384	174,231,566
TOTAL COMPREHENSIVE INCOME		449,905,103	(1,151,460,656)

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

ASSETS	Note	JUNE 2021 KES	JUNE 2020 KES
<u>Non-Current Assets</u>			
Property, Plant and Equipment	22	13,044,666,460	13,225,241,616
Intangible Assets	23	858,847,400	452,710,393
Receivable - South B Estate Mortgage	26	3,053,097	5,963,515
Fixed Interest Investments (Bonds)	27	-	20,520,000
Long Term Deposits	28	1,321,681,075	1,019,751,491
Unquoted Investments	29	340,934,558	368,392,699
Total Non-Current Assets		15,569,182,590	15,092,579,714
<u>Current Assets</u>			
Trade and Other Receivables	30	11,833,069,086	7,771,483,702
Short Term Deposits	32	15,078,178,771	12,381,650,000
Cash and Bank Balances	33	1,005,174,339	3,328,937,655
Total Current Assets		27,916,422,197	23,482,071,357
TOTAL ASSETS		43,485,604,787	38,574,651,071
<u>EQUITY AND LIABILITIES</u>			
<u>Capital and Reserves</u>			
Accumulated Fund	34	12,209,923,340	12,209,923,340
Retained Earnings	35	18,697,004,746	18,247,099,644
Total Capital and Reserves		30,906,928,086	30,457,022,984
<u>Current Liabilities</u>			
Claims Payables	36	8,432,017,053	2,587,937,093
Other Trade Payables	37	2,968,022,864	4,163,792,248
Tax Payable	38	12,666,743	13,475,331
Provision for Liabilities	39	1,165,970,042	1,352,423,415
Total Current Liabilities		12,578,676,701	8,117,628,087
TOTAL EQUITY AND LIABILITIES		43,485,604,787	38,574,651,071

The financial statements on pages 57 to 120 were approved by the Board of Management on 30/09/2021 and signed on its behalf by:

Chief Executive Officer

.....
Dr. Peter Kamunyo

Ag. Director Financial Services

.....
Ms Francisca W. Mwanza

ICPAK Membership No. 4834

Chairperson

.....
Hon. Lewis Nguyai

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

NOTE	Accumulated Fund		Retained Earnings		Total
	KES	KES	KES	KES	
At July 1, 2019	34	35			
Changes in the year / Total comprehensive income	12,209,923,340	19,398,560,300			31,608,483,640
At June 30, 2020	12,209,923,340	(1,151,460,656)			(1,151,460,656)
At July 1, 2020	12,209,923,340	18,247,099,644			30,457,022,984
Changes in the year / Total comprehensive income		449,905,103			449,905,103
At 30th June, 2021	12,209,923,340	18,697,004,746			30,906,928,086

As per The National Treasury requirement, Retained Earnings as at 1st July 2019 has been restated from Kshs. 19,395,102,251 to Kshs. 19,398,560,300 as a result of prior period adjustments relating to Recoveries from Provisions of Kshs. 29,060 (Note.31), Interest Receivables of Kshs. 562,281 (Note.30), Withholding Tax Payables of Kshs. 19,610,286 (Note.38) and Sundry Prepayments of Kshs. 15,619,017 (Note.30).

Additionally, Surplus for the year ended 30th June 2020 has been restated from Kshs. 1,156,934,012 to Kshs. 1,151,460,656 owing to prior period adjustments for the year 2019/2020 for Withholding Tax expense of Kshs. 957,945, Interest on investment of Kshs. 6,386,301 (See note 17) and Kshs. 45,000 being recoveries from provisions. (See note 17).

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 KES	2020 KES
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash generated from/ used in operations	40(a)	506,585,183	(1,185,947,014)
Tax Paid	25	(184,063,384)	(174,231,566)
Net cash generated from operating activities		322,521,800	(1,360,178,580)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	22	(102,241,989)	(243,368,473)
Purchase of Intangible Assets	23	(652,201,696)	-
Proceeds from disposal of property, plant and equipment	17	180,494	14,653,816
Interest from investment	17	1,055,547,873	997,224,111
Proceeds from sale of South B estate	26	2,910,418	2,717,790
(Purchase) Redemption of Fixed Interest Investment	27	20,520,000	-
Purchase of Long-term Deposit	28	(301,929,584)	(19,270,802)
(Purchase)/Redemption of unquoted investment	29	27,458,140	26,261,878
Net cash generated from/ (used in) investing activities		50,243,656	778,218,321
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		372,765,456	(581,960,259)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		15,710,587,655	16,292,547,914
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	40(b)	16,083,353,111	15,710,587,655

The notes set out on pages 64 to 120 are an integral part of these financial statements.

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	%
REVENUES						
National Health Scheme Contributions	43,437,897,000	-	43,437,897,000	31,621,331,719	(11,816,565,281)	-27%
Civil Servant Scheme Contributions & Premium	4,000,000,000	-	4,000,000,000	6,022,658,067	2,022,658,067	51%
NPS & KPS Scheme Contributions & Premium	4,785,805,560	-	4,785,805,560	7,028,116,989	2,242,311,429	47%
Edu Afya Medical Scheme Premium	4,050,000,000	-	4,050,000,000	4,050,000,000	-	0%
HISP OVC Program Premium	1,091,808,000	-	1,091,808,000	1,341,820,000	250,012,000	23%
HISP (OPPSD) Program Premium	252,000,000	-	252,000,000	276,000,000	24,000,000	10%
County Scheme Contributions & Premium	1,543,344,652	-	1,543,344,652	2,739,988,156	1,196,643,504	78%
Parastatal Schemes Contributions & Premium	1,434,114,740	-	1,434,114,740	1,047,798,983	(386,315,757)	-27%
Retirees Schemes Premium	-	143,013,295	143,013,295	551,782,076	408,768,781	286%
Linda Mama Program Premium	3,898,000,000	200,000,000	4,098,000,000	4,948,139,361	850,139,361	21%
WIBA - NPS/KPS Premiums	-	2,295,594,440	2,295,594,440	1,147,797,220	(1,147,797,220)	-50%
TOTAL REVENUES	64,492,969,952	2,638,607,735	67,131,577,687	60,775,432,570	(6,356,145,116)	-9%
BENEFITS EXPENSES						
National Health Scheme Expenses	35,619,075,540	-	35,619,075,540	28,236,045,834	7,383,029,706	26%
Civil Servant Scheme Expenses	3,400,000,000	-	3,400,000,000	6,734,203,627	(3,334,203,627)	-50%
NPS & KPS Scheme Expenses	4,067,934,726	-	4,067,934,726	8,255,928,224	(4,187,993,498)	-51%
Edu Afya Medical Scheme Expenses	3,321,000,000	-	3,321,000,000	1,850,335,509	1,470,664,491	79%
HISP OVC Program Expenses	895,282,560	-	895,282,560	250,641,181	644,641,379	257%
HISP (OPPSD) Program Expenses	206,640,000	-	206,640,000	81,847,746	124,792,254	152%
County Scheme Expenses	1,311,842,954	-	1,311,842,954	1,234,656,419	77,186,535	6%
Parastatal Schemes Expenses	1,218,997,750	-	1,218,997,750	1,063,751,144	155,246,606	15%
Retirees Schemes Expenses	-	120,131,169	120,131,169	762,420,144	(642,288,975)	-84%
Linda Mama Benefit Expenses	3,898,000,000	200,000,000	4,098,000,000	4,948,139,361	(850,139,361)	-17%
WIBA - NPS/KPS Expenses	-	2,295,594,440	2,295,594,440	643,769,429	1,651,825,011	257%
TOTAL BENEFIT EXPENSES	53,938,773,530	2,615,725,609	56,554,499,139	54,061,738,618	2,492,760,521	5%
GROSS PROFIT						
Other Income	10,554,196,422	22,882,126	10,577,078,548	6,713,693,952	(3,863,384,595)	37%
TOTAL REVENUES	11,800,020,146	22,882,126	11,822,902,272	8,087,380,677	(3,735,521,594)	-32%
OPERATING EXPENSES						
Staff Costs	4,971,136,655	262,388,113	5,233,524,768	5,210,851,097	22,673,671	0%
Board Expenses	30,000,000	-	30,000,000	27,681,665	2,318,335	8%
Other Operating Expenses	1,509,839,460	297,268,977	1,807,108,437	1,648,584,680	158,523,757	10%
Depreciation of PPE	313,800,000	-	313,800,000	282,817,145	30,982,855	11%
Amortization of Intangible Assets	260,176,000	-	260,176,000	246,064,689	14,111,311	6%
Finance Expenses	43,366,029	-	43,366,029	37,412,914	5,953,115	16%
TOTAL OPERATING EXPENSES	7,128,318,144	559,657,090	7,687,975,234	7,453,412,190	234,563,044	3%
PROFIT/ (LOSS) BEFORE TAXATION	4,671,702,002	(536,774,964)	4,134,927,038	633,968,486	(3,500,958,550)	-85%
Tax Expense	133,704,750	-	133,704,750	184,063,384	-50,358,634	-27%
TOTAL COMPREHENSIVE INCOME	4,537,997,252	(536,774,964)	4,001,222,288	449,905,103	(3,551,317,184)	-89%

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EXPLANATIONS FOR VARIANCES

REVENUE

National Health scheme. Included in revenues reported under the enhanced schemes is statutory contributions totaling to Kes. 5,798,382,146 budgeted under the NHS Scheme. Additionally, the following factors affected revenue collection in the year under review:

- (i) A depressed economy leading to reduced purchasing power for households who prioritized basic needs,
- (ii) Effect of Covid-19 prevention measures and restrictions which led to mass layoffs and reduced income and
- (iii) Negative impact of UHC pilot program in four of the identified Counties (New registration and retention rates declined significantly in the Pilot Counties due to Government UHC pilot that accorded free healthcare to households)

Civil Servant Scheme. NHIF received premiums amounting to Kes 4,000,000,000 for Civil servants comprehensive medical cover. An amount of Kes 2,022,658,067 was also received being statutory contributions from the members of the scheme. These are contributions deducted from their salaries and remitted by respective Ministries and departments. This amount of Kes 2,022,658,067 is included in the target of Kes 43,437,897,000 under the National Scheme and it is not in the CS Scheme target. However, to match premiums & contributions with benefits in the scheme, the statutory figure was included in the civil servant scheme report.

NPS/ KPS Scheme. The Variance of Kes 2,242,311,429 is the statutory contributions remitted for members of National Police and Prisons Services. This figure is not included in the budget for NPS/KPS but was part of the National scheme target. For premiums & benefits comparison, the actual statutory contributions have been paired with premiums to calculate the combined loss ratio for this scheme.

Health Insurance Subsidy Program (OVC). The HISP programs premiums were up scaled by 40% beginning cover period December 2020. The premiums received is as per the new covered population.

Free Maternity Program. The Linda Mama program is a managed funds program where funds are transferred to NHIF by the MOH to cater for maternity care for beneficiaries and are replenished based on utilization. Utilization surpassed the set budget of Kes 4,098,000,000 for the year however, being a managed fund, the previous balances of funds were rolled over to the period under review. The Ministry replenishes funds whenever they are exhausted.

County Medical Scheme. The amount received includes statutory contributions of Kes 1,196,643,504 whose budget is captured under NHS contributions

Parastatal Medical Schemes. The premiums received for the scheme was below target due to regulatory review. Following the amendment No. 11 of 2019, which included social insurance under the scope of the Insurance Act, the Insurance Regulatory Authority raised concerns to NHIF on the provision of insurance services to the State Corporations and other institutions. With this in mind, NHIF suspended any new contracting or renewal of the corporations. Subsequently, the National Treasury in a Gazette notice dated 26th March 2021 exempted NHIF from the provisions of Insurance Act which gives the Fund the go ahead to renew the medical insurance cover with State Corporations. This period where NHIF could not onboard new parastatals led to the variance.

WIBA - NPS/KPS. The variance of Kes 1,147,797,220 for the WIBA scheme is attributed to a difference between the cover period and the financial period. The amount received of Kes 2,295,594,440 is the full

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premium for the cover period 1st January 2021 to 31st December 2021. The actuals, however, apportion the premiums to the period earned.

EXPENDITURE

Civil Servant Scheme. The CS benefits target of Kes 3,400,000,000 does not include benefits that member of the enhanced scheme access due to their statutory contributions (supa cover). The budget has been included in the National scheme benefits. Further to this, the scheme recorded a high utilization especially for inpatient & outpatient due to the preference by members of the scheme to seek services at private facilities rather than public facilities which are low cost.

NPS/ KPS Scheme. The benefits target of Kes 4,067,934,726 does not include benefits that member of the enhanced scheme access due to their statutory contributions (supa cover). This budget has been included in the National scheme benefits. Further to this, the scheme recorded a high utilization especially for inpatient and outpatient. This is partly due to the high claim proportion from private facilities compared to Faith based and public facilities.

Secondary School Medical Scheme. The low absorption is as a result of the covid-19 restrictions to avert the pandemic; schools were closed for more than 9 months.

Retirees Schemes. The number of members covered under the scheme increased as more pensioners joined through FOPA and KARO contracts leading to increased utilization. These contracts are open contracts where members could join from any month provided they pay the set premiums. Further to this, the scheme is a high-risk portfolio. However, measures were put in place in the subsequent cover period. These are increased premiums per member, introduction of co-payment among others.

Health Insurance Subsidy Program (HISP - OVC & OPPSD). The HISP programs access to benefits by members had been suspended due to non-remittance of premiums by MOH. Utilization however remained low even after resumption of services. Awareness activities have been planned in the subsequent periods.

Tax Expenses. The increased withholding tax expense is attributed to increase in interest on income earned of Kes 1,055,263,764 within the period compared to the target of Kes 891,365,000.

Other Income. NHIF targeted to earn Kes 1.981 billion from rental income and interest from investments. The amount earned was however below target due to a reduction in the investment portfolio (from 14.71 bn in 2019 to 13.47 bn in 2020). Interest earned in 2020 for call deposits and Government securities was lower than anticipated due to economic factors

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22. a) PROPERTY, PLANT AND EQUIPMENT

2020/2021	Land	Buildings	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
	KES	KES	KES	KES	KES	KES	KES
COST							
At July 1, 2020	298,589,665	9,762,005,668	376,977,384	3,078,186,924	2,612,364,492	1,444,687,484	17,572,811,616
Additions	-	-	10,720,116	86,961,085	4,560,788	-	102,241,989
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 30 June 2021	298,589,665	9,762,005,668	387,697,500	3,165,148,009	2,616,925,279	1,444,687,484	17,675,053,605
DEPRECIATION							
At July 1, 2020	-	1,928,712,649	327,227,378	1,084,144,484	1,007,485,488	-	4,347,569,999
Charge for the year	-	136,131,817	21,690,101	68,617,994	56,377,232	-	282,817,145
Eliminated on disposal/transfer	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-
At 30 June 2021	-	2,064,844,467	348,917,480	1,152,762,478	1,063,862,720	-	4,630,387,144
NBV At 30 June 2021	298,589,665	7,697,161,201	38,780,020	2,012,385,531	1,553,062,560	1,444,687,484	13,044,666,460

IAS 16 establishes principles for recognizing property, plant and equipment as assets, measuring their carrying amounts, and measuring the depreciation charges and impairment losses to be recognized in relation to them. The Fund's assets include, land, buildings, motor vehicles & motorcycles, office equipment furniture & fittings and computer equipment. Depreciation is on a straight-line Basis as per Note 4d, page 77.

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22 b) PROPERTY, PLANT AND EQUIPMENT (Cont'd) (Kes)

2019/2020	Land							Capital work in progress	Total
	KES	Buildings	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	KES	KES		
COST									
At July 1, 2019	298,589,665	9,752,032,988	391,722,457	2,934,233,563	2,541,834,060	1,444,687,484	17,363,100,216		
Additions	-	9,972,680	18,912,000	143,953,361	70,530,432	-	243,368,473		
Transfers	-	-	-	-	-	-	-		
Disposals	-	-	(33,657,073)	-	-	-	(33,657,073)		
At 30 June 2020	298,589,665	9,762,005,668	376,977,384	3,078,186,924	2,612,364,492	1,444,687,484	17,572,811,616		
DEPRECIATION									
At July 1, 2019	-	1,792,580,832	330,888,622	996,275,500	952,451,372	-	4,072,196,326		
Charge for the year	-	136,131,817	28,057,783	87,868,984	55,034,116	-	307,092,700		
Eliminated on disposal/transfer	-	-	(31,719,027)	-	-	-	(31,719,027)		
Impairment loss	-	-	-	-	-	-	-		
At 30 June 2020	-	1,928,712,649	327,227,378	1,084,144,484	1,007,485,487	-	4,347,569,999		
NBV At 30 June 2020	298,589,665	7,833,293,018	49,750,005	1,994,042,440	1,604,879,004	1,444,687,484	13,225,241,616		

Cost of Computers & Related Equipment as at 30th June 2020 has been restated from Kshs. 3,081,018,924 to Kshs. 3,078,186,924 owing to movement of lost computers of Kshs. 2,832,000 from the Property, Plant & Equipment to Sundry Debtors (Note 30).

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	2021 KES	2020 KES
23. INTANGIBLE ASSETS		
	2020	2019
COST		
As at 1st July	1,937,790,016	1,937,790,016
Additions	652,201,696	-
Disposals	-	-
Transfer	-	-
As at June 30	2,589,991,712	1,937,790,016
AMORTIZATION		
As at 1st July	1,485,079,623	1,147,421,695
Charge for the year	246,064,689	337,657,928
Transfer	-	-
Impairment	-	-
As at June 30	1,731,144,312	1,485,079,623
NBV as at June 30	858,847,400	452,710,393

This comprises software and licenses purchased by the Fund. They are amortized over a three-year period.

24. FINANCE EXPENSES

Bank Charges	6,285,085	5,225,479
Commissions	31,127,829	59,669,955
TOTAL	37,412,914	64,895,434

This caters for bank charges and commissions paid to revenue collection banks and Safaricom M-pesa services. Finance expenses reduced in the current financial year due to Management decision to collect revenue directly through banks as opposed to agency approach used in previous years.

25. TAX EXPENSES

With Holding Tax Expense	139,689,612	143,350,848
Vat Expense - Property A/C	44,373,772	30,880,717
Total	184,063,384	174,231,566

Withholding tax expense is paid in respect to interest earned from investments while VAT on property is corporate tax on rental income.

Withholding Tax Expense for the year ended 30th June 2020 was restated from Kshs. 142,392,903 to Kshs. 143,350,848 owing to prior period adjustments of Kshs. 957,945 made in the current financial year.

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40. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of Operating Surplus to Cash Generated from Operations

	2021	2020
	KES	KES
Operating Surplus	633,968,486	(977,229,090)
Depreciation	282,817,145	307,092,700
Amortization	246,064,689	337,657,928
Gain on Disposal of PPE	(180,494)	(12,715,770)
Interest From Investments	(1,055,547,873)	(997,224,111)
Operating Surplus before Working Capital Changes	107,121,953	(1,342,418,343)
Working Capital Changes		
(Increase)/decrease in Trade and Other Receivables	(4,061,585,384)	(1,083,658,114)
Increase / (Decrease) in Claims Payables	5,844,079,960	794,852,023
Increase/ (Decrease) in Other Trade Payables	(1,195,769,384)	(142,048)
Increase/ (Decrease) in Tax Payable	(808,589)	(2,515,591)
Increase/ (Decrease) in Provisions	(186,453,373)	447,935,059
Increase (Decrease)	399,463,230	156,471,329
Cash Generated from Operations	506,585,183	(1,185,947,014)

b) Analysis of changes in loans (MTRH Loan)

Balance at beginning of the year	314,192,699	340,454,576
Loan addition during the year	-	-
Receipts (Interest) during the year	10,492,141	14,632,923
Repayments during the year	(37,950,281)	40,894,800
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the Year	286,734,558	314,192,699

C) Analysis of cash and cash equivalents

Short term deposits	15,078,178,771	12,381,650,000
Cash at bank	944,484,560	3,283,164,160
Cash in hand	124,135	316,705
Cash in Transit	60,565,645	45,456,790
Balance at end of the Year	16,083,353,110	15,710,587,655