

REPUBLIC OF KENYA



**REPORT**

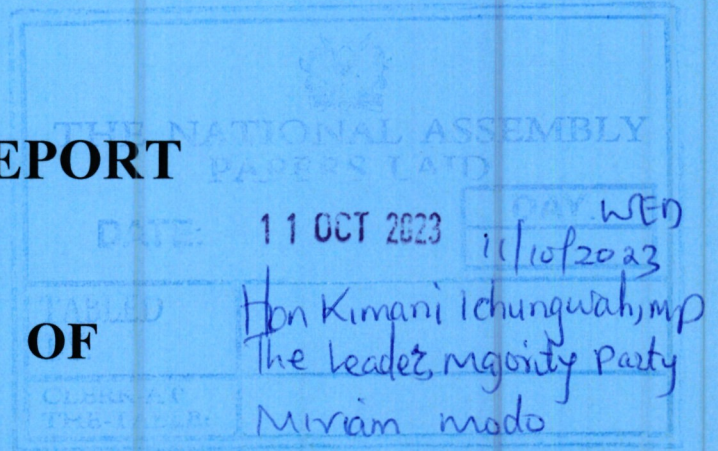
**OF**

**THE AUDITOR-GENERAL**

**ON**

**KISII TEACHING AND REFERRAL  
HOSPITAL**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



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

18 JAN 2023

RECEIVED



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**KISII TEACHING AND REFFERAL HOSPITAL  
KISII COUNTY GOVERNMENT**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

*Kisii Teaching and Referral Hospital*  
*Annual Reports and Financial Statements for the year ended June 30, 2022*

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*Kisii Teaching and Referral Hospital*  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

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**I. KEY HOSPITAL INFORMATION AND MANAGEMENT**

**(a) Background information**

The Kisii County Teaching and Referral Hospital Corporation was established by and derives its authority and accountability from Kisii County Teaching and Referral Hospital Act, 2014 on 2<sup>nd</sup> May. The entity is wholly owned by the County Government Kisii and is domiciled in Kenya.

The entity's objective is to provide financial resources for medical supplies, equipping of the hospital and improving the quality of health care services.

The entity's principal activity is to provide money for medical supplies, equipping of the hospital and improving the quality of health care services

**(b) Principal Activities**

The principal activity of the entity is to:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the hospital.
- ii. Support capacity building in the management of the hospital.
- iii. To give decision making autonomy to the hospital management committees, to plan and manage the resources within their control
- iv. To improve the quality of health care services in the hospital.

**(c) Key Management**

The Hospital's day to day management is under the following key organs:

- i. Board of Directors
- ii. Chief Executive Officer
- iii. Management

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

| Ref | Designation                  | Name             |
|-----|------------------------------|------------------|
| 1   | Chief Executive Officer      | Dr Enock Ondari  |
| 2   | Director Accounting Services | CPA Osborn Mbego |

**(e) Fiduciary Oversight Arrangements**

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

**(f) Registered Offices**

P.O. Box 9240200  
Kisii –Hospital Road  
Kisii, KENYA

**(g) Hospital's Contacts**

Telephone: (254) 734749322  
Email: info@ktrh.go.ke  
Website: www.ktrh.or.ke

**(h) Hospital's Bankers**

Kenya Commercial Bank  
P.O. Box 47640200  
Kisii, Kenya





**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**II. THE BOARD OF MANAGEMENT**

| Name   | Details of qualifications and experience   |
|--|--|
| <p>1. Dr. Kenneth Onsate Nyagena</p>  | <p>Dr. Nyagena is the chairman of the KTRH Board of Management. Dr Nyagena is also the chairperson, department of Public Affairs and Environmental studies at Laikipia University where he is also a lecturer, a consultant in various areas of expertise. Dr, Nyagena Holds a Phd in sociology, Masters in Development Studies and B.A in Anthropology and Sociology.</p>   |
| <p>2. Dr. Joseph Mochama Abuya</p>    | <p>Born 1967, Dr. Abuya is a senior lecturer, Department of Radiology and Imaging at Moi University, prior he served as head of Department of Radiology and Imaging Moi, Teaching and Referral Hospital.<br/>He is currently Pursuing a PhD in Medical Education, Holds a Master of Medicine Diagnostic Radiology and Bachelors of Medicine and Surgery.</p>   |
| <p>3. Dr. Stella Moraa Omari</p>    | <p>Dr. Omari is the chairperson school of Business and Economics, department of Human Resource and strategic Management Kisii University where she also serves as a senior lecturer and member of university senate.<br/>She holds a PhD in Human Resource Management; M.A in social Dynamics ;Bachelor of Arts and a member of Institute of Human Resource Management (IHRM)</p>  |
| <p>4. Martha Momanyi Omambia</p>    | <p>Mrs. Omambia is a consultant trainer in leadership for change in various aspects of community development, she is also the Chief Executive Officer , Mare Quality Foods Enterprises; she has previously served as chief project director Winrock International ;consultant ,Lutheran World Federation ,UNEP among others.<br/>She holds MA, Medical Geography and Bed. (Sc), chemistry, Geography, and Education.</p> |



5. Dr. Enoch Ondari



Dr. Ondari is the chief Executive Officer, Kisii Teaching and Referral Hospital (KTRH). He is an Obstetrician and gynaecologist. Previously he has served as Medical Superintendent and a Deputy District Medical Services Officer (DMSO).

He holds a master of medicine in Obstetrics & Gynaecology and a Bachelor's degree in medicine and surgery.

III. MANAGEMENT TEAM

| Name   | Details of qualifications and experience   |
|--|--|
| 1. Dr. Enock Ondari<br> | Master of medicine in Obstetrics &gynaecology, Bachelor's degree in Medicine & Surgery, October 2014 to date; Ministry of health, kisii county<br>Position: Chief Executive Officer (CEO) Kisii Teaching & referral hospital |
| 2. CPA Osborn Mbego<br> | Master of Business Administration –Finance<br>Member of Institute of Certified Accountants of Kenya (ICPAK)<br>Bachelors of Commerce in Finance<br>Has several years of working experience.<br>Director Accounting Services  |



#### **IV. CHAIRMAN'S STATEMENT**

It's my pleasure to present the Annual Report and financial statements of Kisii Teaching and Referral Hospital (KTRH). Once again, KTRH has demonstrated its commitment to centralized specialized health care services to all Kenyans citizens in the region that spans to counties in south Nyanza and western Kenya.

KTRH provides quality specialized healthcare to patients in services that include orthopaedic surgery, plastic surgery, critical care services, new born services, renal and radiological services.

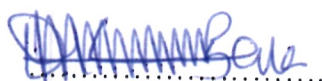
Management and operations of the hospital is guided by the existing legal policies and institutional frameworks that govern the health sector to ensure efficient and effective delivery of services in the hospital.

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

In terms of corporate governance, the board of management carried out its mandate diligently and with focus to steer KTRH to achieve its mission. the Board of management consists the right balance of skills, experience and backgrounds to support and challenge the management team.

On behalf of the Board of management, I would like to extend my appreciation to all our stakeholders and development partners for the continued support that has enabled KTRH realize its mandate. I would also like to thank KTRH management and staff for their commitment and dedication that ensured the highest quality service delivery and improved performance this financial year.

Finally, I would like to express my sincere gratitude to my fellow Board Members, for their dedication and hard work during the year. I would also like to take this opportunity to applaud the Chief Executive Officer, for creating synergy and leading the management team and all staff to greater achievement.



**Dr. Kenneth Nyangena**

**V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

The performance review for financial year 2021/2022 provides us another opportunity to reflect on the gains made and opportunities for improvement towards continuous provision of quality, timely and cost effective and patient-centred specialised healthcare services. KTRH maintained steady growth throughout the year attributed to increased activity levels with a majority of the areas exceeding the targeted performance.

KTRH has a robust financial management system that is based on the existing government financial management rules and regulations, Public Finance Management (PFM) act 2012, International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standard (IFRS). KTRH complied with the reporting framework as per PFM Act 2012, by submitting all the quarterly reports and financial statements to treasury.

The Kisii teaching & Referral Hospital manages its fund based on existing government financial management rules and regulations. The fund is used for financing hospital operations including but not limited to; 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.

The long term sustainability of KTRH operations will be determined by its continued ability to improved profitability and generate cash flow, and KTRH continued to implement sound Financial management policies and efficient utilization of funds, which ultimately enables the accomplishment of this objective.

I take this opportunity to acknowledge the support of The Kisii County Government, and Development partners. Many thanks to the chairman and Members of the Board for their strategic guidance and support. I wish to also register my appreciation to all stakeholders including our suppliers for supplying goods and services required for patient care and the entire staff for their commitment to providing excellent services to our clients and having played different roles and keeping us focused on our mandate.



.....  
**Dr. Enock Ondari**

**VI. STATEMENT OF KHOSPITAL'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022**

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

The key development objectives of the Kisii Teaching and Referral hospital strategic plan 2019-2024 are as follows:

- a) Infrastructure – improve physical facilities, provide modern medical equipment, integrate ICT in the hospital
- b) adequate skilled human resource
- c) enhance financial performance
- d) Enhance Audit and Risk Management
- e) Strengthen supply chain management
- f) Integrate Environment, social and governance concerns into our mission
- g) Optimize customer experience
- h) Enhance research, training and innovative activities
- i) Improved clinical services

Three strategic themes were identified each with a strategic result whose successful execution will enable the Hospital achieve its mission and vision. These are:

|   | <b>Strategic Theme</b>          | <b>Strategic Result</b>  |
|---|---------------------------------|--|
| 1 | Operational Excellence          | Seamless, effective and timely service delivery and efficient Utilization of resources |
| 2 | Excellence in clinical outcomes | Improved quality healthcare  |
| 3 | Business growth                 | Financial Stability  |

## **VII. CORPORATE GOVERNANCE STATEMENT**

The KTRH Board of management has a Board Charter that Describes Board Members responsibilities, the Boards Functions and structures and ethical conduct. in addition to this, the Mwangozo Code of Governance for state corporations governs Board Operations.

### **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 Teaching and Referral Hospital Act,2014. The Governor appoints the board members.

During the year Board members attended an induction and training in Naivasha.

### **Role of the Board**

The responsibility of driving good corporate governance and stewardship of the Hospital is vested in the board of Directors. 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.

### **Board Meetings Attendance**

In the FY 2021/22, Board meetings held were strictly as per the Board Almanac for committees and full Board. There were no special meetings.

### **Board Committees**

- a) Finance and General Purpose committee
- b) Audit and Risk Management Committee
- c) Standard Quality Assurance, Research and Human Resource Committee

### **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

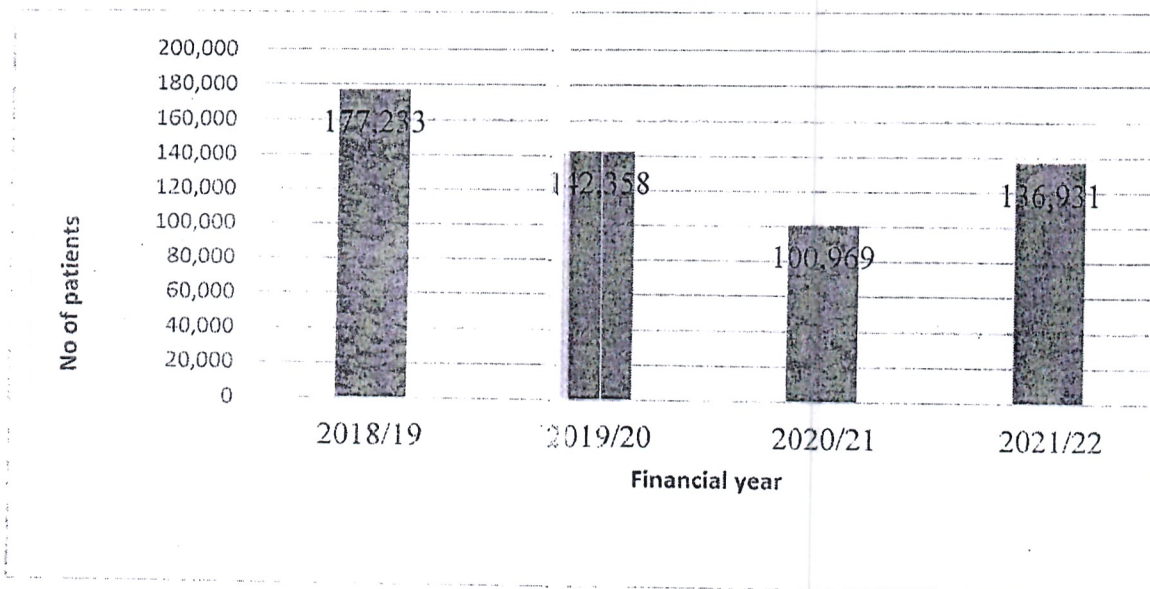
**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

**Clinical performance**

During the financial year ending 30<sup>th</sup> June 2022, KTRH continued to offer specialized Medical care by attending to 136, 931 outpatient clients compared to 100,969 in the financial year ending 30<sup>th</sup> June 2021, representing 35% increase. It also attended to 20,220 inpatients clients in the year under review compared to 15,763 in the period ending 30<sup>th</sup> June 2021. Registering improvement on admissions, during the twelve months, the number of maternal deliveries for the period stood at 6,122 compared to 4, 385 in the year ending 30<sup>th</sup> June 2021.

**Out Patient Department**

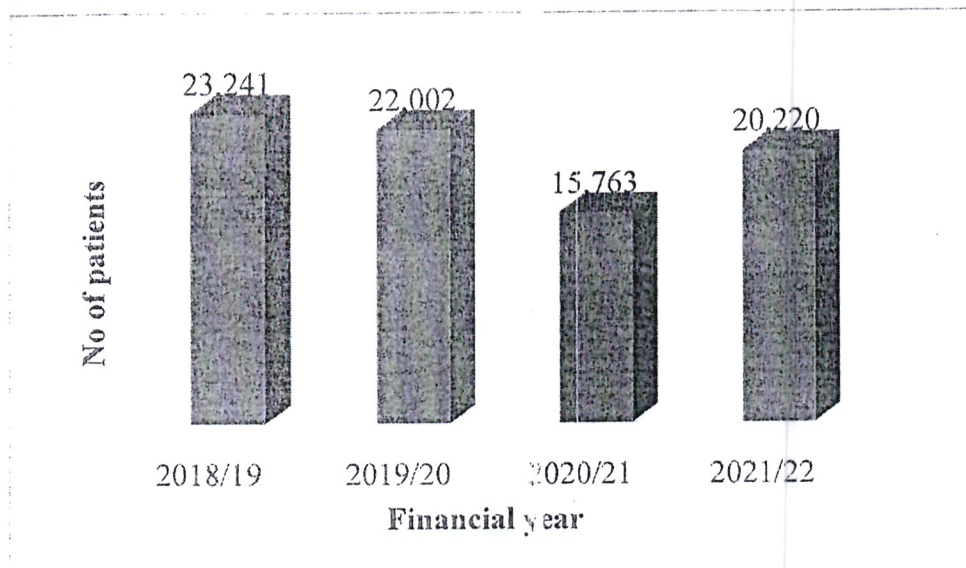
The total number of outpatient clients for the year under review stood at 136,931 compared with 100,969 for FY 2020/21. Specialized clinic attendance stood at 15,183 compared to 7,619 in prior financial period. The increase is attributed to improved efficiency on service delivery as well as use of NHIF outpatient cover. The trend over the past years is shown as below:



**Inpatient Services**

Bed occupancy stood at 65% on average during the year, compared with 46% during FY 2020/21. This is attributed to efficiencies in service delivery and Post COVID 19.

Average length of stay dropped to 6 days compared to 7 days in FY 2021/22. this is due to improved efficiency and adoption of new strategies in patient care. Among the strategies deployed are; Implementing the decongestion strategy, Effective Performance measurement and monitoring for improvement, Compliance with ISO standards, Adherence to patient referral protocols, Adopting of the 24hrs Theatre operations, Enhanced billing system. The chart below shows admission trend



### **Reproductive Health**

A total of 6,122 deliveries were conducted compared to 4,385 in FY 2020/21, translating to 39.6% growth. This is attributed mainly to increased referrals from sub counties and nearby counties, in need of specialized maternity services and the support from the Government of Kenya through the Linda Mama Scheme, which has allowed mothers to deliver at KTRH without having to personally incur any cost. KTRH lauds HE. Excellency The President for the transformation of lives through the success of this noble scheme.

### **CURRENT TRENDS IN THE HEALTHCARE SECTOR**

#### **Full scale up of Universal Health care in Kenya (UHC)**

The constitution of Kenya (COK), 2010 through the Bill of Rights recognizes health as a primary right and tasks the health sector with the responsibility to realize this right. Vision 2030 and the Kenya Health Care Policy 2015-2030 that aim to provide equitable and affordable health care of the highest standards to Kenyans are other key instruments that signal the government's commitment to ensure that Kenyans have access to quality, affordable health care.

UHC is one of the key pillars of the current government to ensure that all people and communities in Kenya can access quality and effective health services they need, despite ability to pay.

On coverage, KTRH has established Medical Camps and Community Outreaches, Partnerships and Collaborations with stakeholders, Developed and Implemented a Referral strategy and Modernized Infrastructure.

Performance Management, Standard and Quality Assurance are considered key in achievement of positive health outcomes.

On cost and financial protection, User Fees prices have been set considering affordability and collaborating with NHIF in promoting uptake of healthcare insurance.

### **CHALLENGES AND OPPORTUNITIES**

**a) Physical infrastructure and Equipment**

Most of the medical equipment used in the hospital are ageing and of obsolete technology. There is need for continuous investment to improve physical infrastructure and modernization of equipment.

**b) Health Care Insurance Cover**

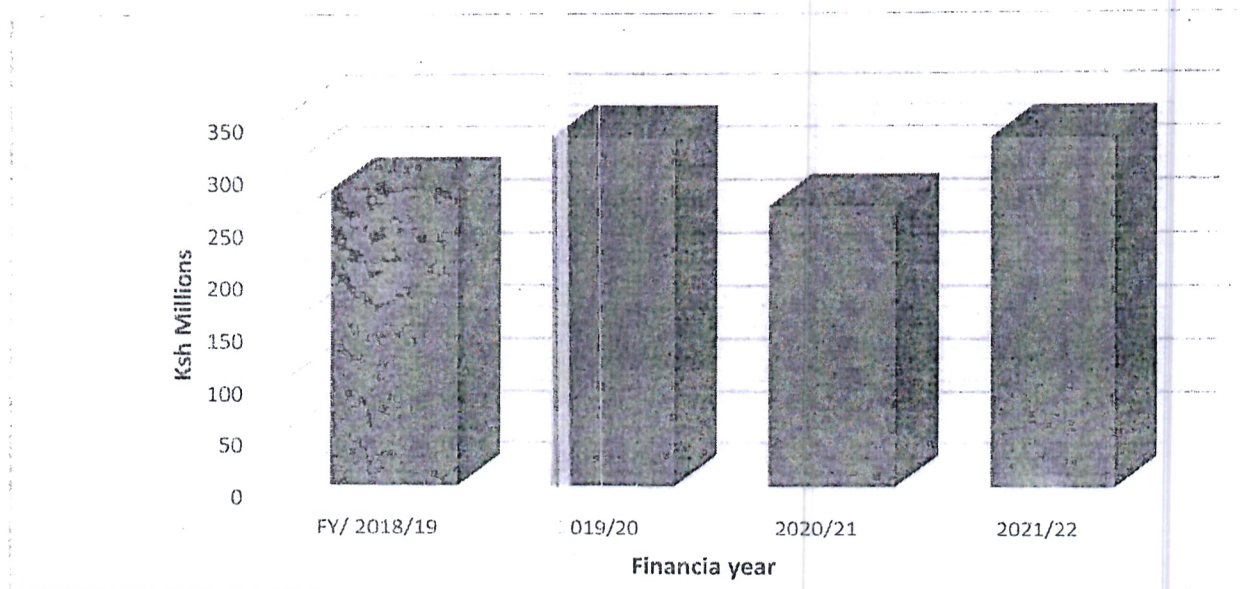
Most Kenyans have no form of health insurance cover and hence find it difficult to access health care when needed due to finances hence finds itself often waiving bills due. This affects hospital ability to offer optimal services. There's therefore need to scale up awareness to increase the uptake of health insurance especially NHIF cover among Kenyan citizens.

**c) Industrial action**

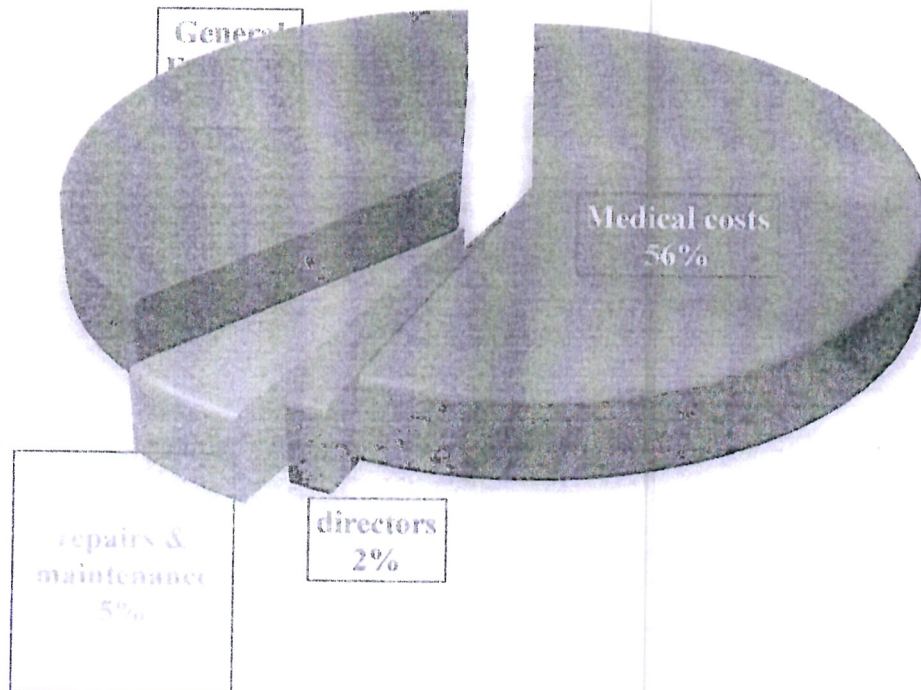
Industrial action within the public sector, adversely affect the delivery of services and revenue generation.

**Financial performance**

The Hospital's revenue comprises of fee charged for services rendered. During the year revenue grew by 25% from financial year 2020/21. The revenue trend over the past year is as depicted in the chart below



The revenue generated during the year was utilized to fund the hospitals expenditure. Fund utilization in the year under review is shown in the chart below



Dr. Enock Ondari



## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

KTRH exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and 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 county teaching and referral hospital, we recognize that we must conduct our operations in a manner that considers the environmental and social impact to ensure that success and longevity of the business. We are committed to being transparent, candid, and open about our operations.

At KTRH we have a pragmatic approach to sustainability, we focus on identifying and putting into practice initiatives and programs that deliver real world and lasting benefits to all our stakeholders. Engaging with our stakeholders informs our decision making, strengthened our relationship and helps us deliver our commitments and success as an entity. In order to achieve these goals, we recognize that we must work in partnership with other interested stakeholders in who share our commitment and have a stake in our entity.

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

### **ii) Environmental performance**

In our offices and clinical areas, we continue encouraging employees to help reduce energy consumption by switching of their computers and lights at the end of the day.

As part of adopting energy efficient technology we have a microwave incinerator that helps with waste management.

In packaging of medicine, we use environmentally friendly bags. In medical waste we are using bags which are clearly marked for clinical waste, bottles, leftover food, staffs are also provided with personal protective equipment

### **iii) Employee welfare**

KTRH staff are employed and remunerated by the Kisii County Government. With a recruitment policy of at least a third is not of more than one gender. Employees are encouraged and supported to continually build on their skills and knowledge these include courses in leadership, management and technical competencies relevant to each employee. The stags are also allowed to join unions for collective bargaining agreements.

The entity also has a t policy on safety which is in compliance with Occupational Safety and Health Act of 2007, (OSHA.)

### **iv) Market place practices- Responsible Supply chain and supplier relations**

KTRH has suppliers that supply goods and services. we manage contracts and engage multiple service providers four our operations. our own reputation as service providers is always a top priority. for that reason, we are focused on ensuring our suppliers comply with best practices and adhere to our contract agreement for all services and goods offered.

**v) Corporate Social Responsibility Statement**

As a way of creating awareness on health seeking behaviour and encourage early diagnosis and treatment, KTRH conducts clinical outreaches in the community within its catchment area. It offers screening and free medical services. It is also an opportunity to provide mentorship to partnership county health facilities. During the period KTRH carried out outreaches, screened and offered medical services as outline below:

| <b>Date</b>   | <b>Activity</b>  | <b>Venue</b>          |
|---------------|--|-----------------------|
| June 2022     | Free Public blood pressure screening   | KTRH, Gucha, Nyamache |
| March 2022    | world kidney day i.e. 10 <sup>th</sup> March, KTRH carried out free tests on Blood pressure, random Blood Sugar, weight and height and nutritional counselling | KTRH                  |
| February 2022 | Free eye surgical camp in conjunction with Lions eye Hospital.   | KTRH                  |
| November 2021 | Cervical cancer screening  | KTRH                  |

*Kisii Teaching and Referral Hospital*  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

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**X. REPORT OF THE BOARD OF MANAGEMENT**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Hospital's affairs.

**a) Principal activities**

The principal activities of the Hospital are:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the Hospital.
- ii. Support capacity building in the management of the Hospital
- iii. To give decision making autonomy to the Hospital management committees, to plan and manage the resources within their control
- iv. To improve the quality of health care services in the Hospital

**b) Results**

The results of the Hospital for the year ended June 30, 2022, are set out on page 1

**c) Directors**

The members of the Board of Directors who served during the year are shown on pages iv and v. During the year 1 director resigned.

**d) Auditors**

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

By Order of the Board

.....

Dr. Enock Ondari

Secretary to the Board

## **XI. STATEMENT OF BOARD OF MANagements' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Section 19 of the Kisii Teaching and Referral Hospital Act, 2014 require the Directors of Kisii Teaching and Referral Hospital to prepare financial statements in respect of the Hospital, which give a true and fair view of the state of affairs of the Hospital as at 30 June 2022 and the operating results of the Hospital for the year then ended. The Directors are also required to ensure that the Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Hospital. The Directors are also responsible for safeguarding the assets of the Hospital.

The Directors are responsible for the preparation and presentation of the Hospital's financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year (period) ended on 30 June, 2022. 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 Hospital; (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 Hospital; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Kisii Teaching and Referral Hospital Act, 2014. The Directors are of the opinion that the Hospital's financial statements give a true and fair view of the state of Hospital's transactions during the financial year ended 30 June, 2022, and of the Hospital's financial position as at that date.

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

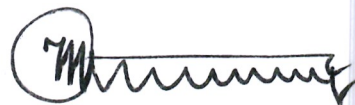
Nothing has come to the attention of the Directors to indicate that the Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

The Hospital's financial statements were approved by the Board on 28/07 2022 and signed on its behalf by:



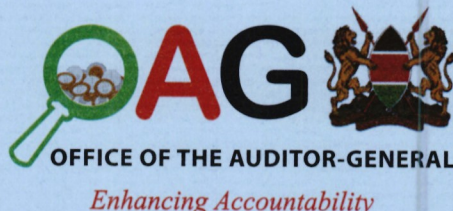
**Dr. Kenneth Nyangena**  
Chairman  
Board of Management



**Dr. Enock Ondari**  
Chief Executive Officer

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KISII TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022**

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### **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**

#### **Opinion**

I have audited the accompanying financial statements of Kisii Teaching and Referral Hospital set out on pages 1 to 17, which comprise of the statement of financial position

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*Report of the Auditor-General on Kisii Teaching and Referral Hospital for the year ended 30 June, 2022*

as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kisii Teaching and Referral Hospital as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Kisii County Teaching and Referral Hospital Act, 2014.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisii Teaching and Referral Hospital 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 opinion.

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects final receipts budget and actual on comparable basis amounts of Kshs.377,773,692 and Kshs.362,781,200 respectively, resulting to an under-funding by Kshs.14,992,492 of the approved budget. Similarly, the Hospital spent an amount of Kshs.362,872,220 against an approved expenditure budget of Kshs.377,773,692, resulting to an under- expenditure of Kshs.14,901,472 of the approved expenditure budget.

The underfunding and underperformance affected the Hospital's planned activities and may have impacted negatively on service delivery to the public.

### **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, I confirm that nothing 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**

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

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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



occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 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 Hospital'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 Hospital 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 Hospital 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 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

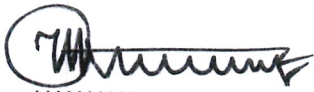
**27 September, 2023**

*Kisii Teaching and Referral Hospital*  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

**XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022**

|   | Notes | 2021/2022           | 2020/2021          |
|---|-------|---------------------|--------------------|
|   |       | Kshs                | Kshs               |
| <b>Revenue from non-exchange transactions</b> |       |                     |                    |
| Transfers from the county Government          | 6     | 14,504,430          | 11,922,350         |
| <b>Revenue from exchange transactions</b>     |       |                     |                    |
| Rendering of services-Medical Service Income  | 7     | 319,437,236         | 254,647,246        |
| <b>Total revenue</b>                          |       | <b>333,941,666</b>  | <b>266,569,596</b> |
| <b>Expenses</b>                               |       |                     |                    |
| Medial/ Clinical costs                        | 8     | 196,860,757         | 157,719,260        |
| Board of Management Expenses                  | 9     | 5,693,140           | 3,195,869          |
| Repairs and Maintenance                       | 10    | 18,186,801          | 20,626,201         |
| General Expenses                              | 11    | 129,207,387         | 90,881,582         |
| <b>Total expenses</b>                         |       | <b>349,948,085</b>  | <b>272,422,912</b> |
| <b>Deficit/ Surplus for the year</b>          |       | <b>(16,006,419)</b> | <b>(5,853,316)</b> |


The notes set out on pages 7 to 16 form an integral part of these Financial Statements.  
 The Hospital's financial statements were approved by the Board on 28/07/2022 and signed on its behalf by:



Dr. Enock Ondari  
 Chief Executive Officer



CPA Osborn Mbego  
 ICPAK Member Number: 9663  
 Director Accounting



Dr. Kenneth Nyangena  
 Chairman of the Board

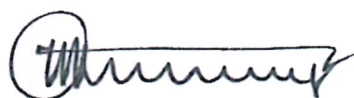
**Kisii Teaching & Referral Hospital**  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

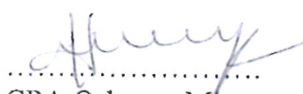
|   | Notes | 2021/2022         | 2020/2021         |
|---|-------|-------------------|-------------------|
|   |       | Kshs              | Kshs              |
| <b>Assets</b>   |       |                   |                   |
| <b>Current Assets</b>                                     |       |                   |                   |
| Cash and cash equivalents                                 | 12    | 520,715           | 611,735           |
| Current portion of receivables from exchange transactions | 13    | 41,100,140        | 69,939,674        |
| Inventories   | 14    | 18,609,741        | 20,306,818        |
| <b>Total Current Assets</b>                               |       | <b>60,230,596</b> | <b>90,858,227</b> |
| <b>Total Assets</b>                                       |       | <b>60,230,596</b> | <b>90,858,227</b> |
| <b>Liabilities</b>  |       |                   |                   |
| <b>Current Liabilities</b>                                |       |                   |                   |
| Trade and other payables                                  | 15    | 45,287,515        | 59,908,727        |
| <b>Total Current Liabilities</b>                          |       | <b>45,287,515</b> | <b>59,908,727</b> |
| <b>Total Liabilities</b>                                  |       | <b>45,287,515</b> | <b>59,908,727</b> |
| <b>Net Assets</b>   |       |                   |                   |
| Accumulated deficit                                       |       | (57,484,223)      | (41,477,804)      |
| Capital Fund  |       | 72,427,304        | 72,427,304        |
| <b>Total Net Assets</b>                                   |       | <b>14,943,081</b> | <b>30,949,500</b> |
| <b>Total Net Assets and Liabilities</b>                   |       | <b>60,230,596</b> | <b>90,858,227</b> |

*(The notes set out on pages 7 to 16 form an integral part of the Annual Financial Statements.)*

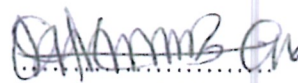
The Hospital's financial statements were approved by the Board on 28/07/2022 and signed on its behalf by:



.....  
 Dr. Enock Ondari  
 Chief Executive Officer



.....  
 CPA Osborne Mbego  
 ICPAK NO: 9663  
 Director Accounting



.....  
 Dr. Kenneth Nyangena  
 Chairman  
 Board of Management

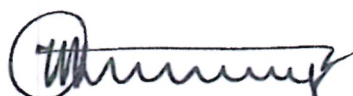
*Kisii Teaching & Referral Hospital*  
*Annual Reports and Financial Statements for the year ended June 30, 2022*

**XV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022**

|                                   | Capital Fund      | Accumulated surplus | Total             |
|-----------------------------------|-------------------|---------------------|-------------------|
|                                   | Kshs              | Kshs                | Kshs              |
| <b>Balance as at 1 July 2020</b>  | 72,427,304        | (35,624,488)        | 36,802,816        |
| Deficit for the period            |                   | (5,853,316)         | (5,853,316)       |
| <b>Balance as at 30 June 2021</b> | <b>72,427,304</b> | <b>(41,477,804)</b> | <b>30,949,500</b> |
| <b>Balance as at 1 July 2021</b>  | <b>72,427,304</b> | <b>(41,477,804)</b> | <b>30,949,500</b> |
| Deficit for the period            |                   | (16,006,419)        | (16,006,419)      |
| <b>Balance as at 30 June 2022</b> | <b>72,427,304</b> | <b>(57,484,223)</b> | <b>14,943,081</b> |

*(The notes set out on pages 7 to 16 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 28/07/2022 and signed on its behalf by:



.....  
 Dr. Enock Ondari  
 Chief Executive Officer



.....  
 CPA Osborne Mbego  
 ICPAK NO: 9663  
 Director Accounting



.....  
 Dr. Kenneth Nyangena  
 Chairman  
 Board of Management

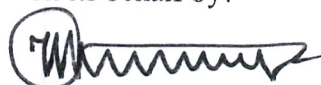
*Kisii Teaching and Referral Hospital*  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

|   |       | 2020/2022          | 2020/2021          |
|---|-------|--------------------|--------------------|
|   | Notes | Kshs               | Kshs               |
| <b>Cash flows from operating activities</b>                 |       |                    |                    |
| <b>Receipts</b>   |       |                    |                    |
| Transfers from the County Government                        | 6     | 14,504,430         | 11,922,350         |
| Medical Service Income                                      | 7     | 319,437,236        | 254,647,246        |
| <b>Total Receipts</b>                                       |       | <b>333,941,666</b> | <b>266,569,596</b> |
| <b>Payments</b>   |       |                    |                    |
| Rendering of services-Medical Service Income                | 8     | 196,860,757        | 157,719,260        |
| Board of Management Expenses                                | 9     | 5,693,140          | 3,195,869          |
| Repairs and maintenance                                     | 10    | 18,186,801         | 20,626,201         |
| General Expenses  | 11    | 129,207,387        | 90,881,582         |
| <b>Total Payments</b>                                       |       | <b>349,948,085</b> | <b>272,422,912</b> |
| <b>Adjusted for :</b>                                       |       |                    |                    |
| Changes in receivables                                      |       | 28,839,534         | (22,336,442)       |
| Changes in payables   |       | (14,621,212)       | 44,882,727         |
| Changes in inventory  |       | 1,697,077          | (20,306,818)       |
| <b>Net cash flows from operating activities</b>             |       | <b>(91,020)</b>    | <b>(3,613,849)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       | <b>(91,020)</b>    | <b>(3,613,849)</b> |
| Cash and cash equivalents at 1 JULY                         | 12    | 611,735            | 4,225,584          |
| <b>Cash and cash equivalents at 30 JUNE</b>                 | 12    | <b>520,715</b>     | <b>611,735</b>     |

*(The notes set out on pages 7 to 16 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 28/07/2022 and signed on its behalf by:



Dr. Enock Ondari  
 Chief Executive Officer



CPA Osborne Mbego  
 ICPAK NO: 9663  
 Director Accounting



Dr. Kenneth Nyangena  
 Chairman  
 Board of Management

**Kisii Teaching and Referral Hospital**  
Annual Reports and Financial Statements for the year ended June 30, 2022

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

|  | Original budget    | Adjustments | Final budget       | Actual on comparable basis | Performance difference | % of utilization |
|--|--------------------|-------------|--------------------|----------------------------|------------------------|------------------|
|  | Kshs               | Kshs        | Kshs               | Kshs                       | Kshs                   |                  |
|  | a                  | b           | c=(a+b)            | d                          | e=(cd)                 | F=d/c            |
| <b>Revenue</b>                               |                    |             |                    |                            |                        |                  |
| Transfers from the county Government         | 14,000,000         | -           | 14,000,000         | 14,504,430                 | 504,430                | 104%             |
| Rendering of services-Medical Service Income | 363,773,692        | -           | 363,773,692        | 348,276,770                | (15,496,922)           | 96%              |
| <b>Total income</b>                          | <b>377,773,692</b> | <b>-</b>    | <b>377,773,692</b> | <b>362,781,200</b>         | <b>(14,992,492)</b>    | <b>96%</b>       |
| <b>Expenses</b>                              |                    |             |                    |                            |                        |                  |
| Medical/ Clinical costs                      | 217,571,171        | -           | 217,571,171        | 212,158,831                | 5,412,340              | 98%              |
| Remuneration of Directors                    | 6,000,000          | -           | 6,000,000          | 5,693,140                  | 306,860                | 95%              |
| Repairs and maintenance                      | 20,800,000         | -           | 20,800,000         | 19,076,225                 | 1,723,775              | 92%              |
| General Expenses                             | 133,402,521        |             | 133,402,521        | 125,944,024                | 7,458,497              | 94%              |
| <b>Total expenses</b>                        | <b>377,773,692</b> | <b>-</b>    | <b>377,773,692</b> | <b>362,872,220</b>         | <b>14,901,472</b>      | <b>96%</b>       |
| <b>Surplus for the period</b>                |                    |             |                    | <b>(91,020)</b>            | <b>92,020</b>          |                  |

**Budget notes**

1. Reconciliation of total actuals reported in this statement and total actuals reflected in the statement of financial performance:


|  | Amount (Kshs) |
|--|---------------|
| <b>REVENUE</b>   |               |
| Total actual revenue as per statement of comparison of budget and actual amounts | 362,781,200   |
| change in receivables  | 28,839,534    |


*Kisii Teaching and Referral Hospital  
Annual Reports and Financial Statements for the year ended June 30, 2022*


|   |                    |
|---|--------------------|
| Total actual revenue as per statement of financial performance                    | 333,941,666        |
| <b>EXPENSES</b>   |                    |
| Total actual expenses as per statement of comparison of budget and actual amounts | 362,872,220        |
| Change in payables  | (14,621,212)       |
| Change in inventory   | 1,697,077          |
| <b>Total actual expenses as per statement of financial performance</b>            | <b>349,948,085</b> |

The notes set out on pages 15 to 19 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 22/07/2022 and signed on its behalf by:

  
.....  
Dr. Enock Ondari  
Chief Executive Officer

  
.....  
CPA Osborne Mbego  
ICPAK NO: 9663  
Director Accounting

  
.....  
Dr. Kenneth Nyangena  
Chairman  
Board of Management



## **XVIII. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Kisii Teaching and Referral Hospital entity is established by and derives its authority and accountability from the Kisii Teaching and Referral Act. The entity is wholly owned by the county Government of Kisii and is domiciled in Kenya. The entity's principal activity is to provide money for medical supplies, equipping of the hospital and improving the quality of health care services

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis. 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 Hospital's accounting policies.

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

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

*Kisii Teaching and Referral Hospital  
Annual Reports and Financial Statements for the year ended June 30, 2022*

| Standard  | Effective date and impact:   |
|---|--|
|   | Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.  |
| Other improvements to IPSAS   | <p><i>Applicable 1<sup>st</sup> January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> |
| IPSAS 43  | <p><i>Applicable 1<sup>st</sup> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>  |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | <p><i>Applicable 1<sup>st</sup> 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>   |

*iii. Early adoption of standards*

The Entity did not early – adopt any new or amended standards in year 2021/2022.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from nonexchange transactions**

**Transfers from other government entities**

Revenues from nonexchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**Rendering of services**

The entity 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 2021/2022 was approved by the KTRH board. No subsequent revisions or additional appropriations were made to the approved budget.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section v of these financial statements.

**c) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through nonexchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**d) Changes in accounting policies and estimates**

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

**e) Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members

of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**f) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, shortterm 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.

**g) Comparative figures**

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

**Summary of Significant Accounting Policies (Continued)**

**h) 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, 2021.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from the County Government

| Description                       | 2021/2022         | 2020/2021         |
|-----------------------------------|-------------------|-------------------|
|                                   | Kshs              | Kshs              |
| Basic services subsidy            | 14,504,430        | 11,922,350        |
| <b>Total government subsidies</b> | <b>14,504,430</b> | <b>11,922,350</b> |

6 Transfers from The County Government

| Name of the Entity sending the grant | Amount recognized to Statement of financial performance | Amount deferred under deferred income | Amount recognised in capital fund. | Total grant income during the year | Total 2020/21     |
|--------------------------------------|---|---------------------------------------|------------------------------------|------------------------------------|-------------------|
|                                      | Kshs  | Kshs                                  | Kshs                               | Kshs                               | Kshs              |
| Kisii County Government              | 14,504,430  | -                                     | -                                  | 14,504,430                         | 11,922,350        |
| <b>Total</b>                         | <b>14,504,430</b>                                       | <b>-</b>                              | <b>-</b>                           | <b>14,504,430</b>                  | <b>11,922,350</b> |

7. Medical Service Income

| Description   | 2021/2022          | 2020/2021          |
|---|--------------------|--------------------|
|   | Kshs               | Kshs               |
| User fee  | 196,206,207        | 142,844,298        |
| NHIF  | 65,149,599         | 64,998,876         |
| Linda Mama  | 56,447,600         | 46,460,912         |
| Britam Insurance                                    | 1,278,670          | 343,160            |
| AON   | 355,160            | -                  |
| <b>Total revenue from the rendering of services</b> | <b>319,437,236</b> | <b>254,647,246</b> |

8. Medical / Clinical costs

| Description                       | 2021/2022   | 2020/2021  |
|-----------------------------------|-------------|------------|
|                                   | Kshs        | Kshs       |
| Laboratory chemicals and reagents | 19,830,979  | 20,192,725 |
| Food and Ration                   | 23,308,168  | 19,044,675 |
| linen                             | 3,791,000   | -          |
| Dressing and Non-Pharmaceuticals  | 102,366,165 | 91,093,813 |
| Pharmaceutical supplies           | 24,991,479  | 13,670,884 |
| Sanitary and cleansing Materials  | 1,773,720   | 2,002,548  |
| Purchase of Medical gases         | 84,826      | -          |
| Purchase of Medical and Dental    | 3,743,850   | -          |
| X-Ray/Radiology supplies          | 16,970,570  | 11,714,615 |

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|                               |             |             |
|-------------------------------|-------------|-------------|
| Total medical/ clinical costs | 196,860,757 | 157,719,260 |
|-------------------------------|-------------|-------------|

**9. Board Management Expenses**

| Description            | 2021/2022        | 2020/2021        |
|------------------------|------------------|------------------|
|                        | Kshs             | Kshs             |
| Sitting allowances     | 3,225,180        | 2,894,000        |
| Medical Insurance      | -                | 301,869          |
| Induction and Training | 2,467,960        | -                |
| <b>Total</b>           | <b>5,693,140</b> | <b>3,195,869</b> |

**10. Repairs and Maintenance**

| Description                          | 2021/2022         | 2020/2021         |
|--------------------------------------|-------------------|-------------------|
|                                      | Kshs              | Kshs              |
| Medical and Dental Equipment         | 1,003,715         | 324,520           |
| Plant, Equipment and machinery       | 14,501,280        | 16,284,632        |
| Vehicles and insurance cover         | 2,431,806         | 4,017,049         |
| Computers, Software and Networks     | 250,000           | -                 |
| <b>Total repairs and maintenance</b> | <b>18,186,801</b> | <b>20,626,201</b> |

**11. General Expenses**

| Description                                 | 2021/2022          | 2020/2021         |
|---|--------------------|-------------------|
|   | Kshs               | Kshs              |
| Advertising and publicity expenses          | -                  | 440,352           |
| Catering expenses                           | 2,153,812          | 1,072,681         |
| Bank charges                                | 254,501            | 86,856            |
| Conferences and delegations                 | -                  | 500,000           |
| Contracted services                         | 31,147,300         | 38,082,180        |
| Electricity expenses                        | 30,342,010         | 11,650,000        |
| Research                                    | 815,050            | -                 |
| Domestic Travel and accommodation allowance | 10,525,050         | 6,482,002         |
| Daily subsistence allowance                 | 5,817,940          | 680,000           |
| Foreign travel                              | 5,739,227          | -                 |
| Courier and postal services                 | 31,550             | 14,380            |
| Stationery                                  | 6,785,395          | 4,851,060         |
| Computer accessories                        | 1,709,600          | 1,761,600         |
| Water and sewerage costs                    | 16,394,672         | 11,550,000        |
| Telephone and mobile phone services         | 914,250            | 629,250           |
| Internet expenses                           | 784,680            | 1,167,060         |
| Staff training and development              | 275,600            | 800,000           |
| Refined fuel for transport                  | 500,000            | -                 |
| Other gas fuel                              | 2,717,500          | 2,432,500         |
| Other expenditures                          | 12,299,200         | 8,681,661         |
| <b>Total General Expenses</b>               | <b>129,207,387</b> | <b>90,881,582</b> |

*Notes to The Financial Statements (Continued)*

**12. Cash and Cash Equivalents**

| Description                            | 2021/2022      | 2020/2021      |
|--|----------------|----------------|
|  | Kshs           | Kshs           |
| Current account                        | 520,715        | 611,735        |
| <b>Total cash and cash equivalents</b> | <b>520,715</b> | <b>611,735</b> |

**12 (a) Detailed Analysis of the Cash and Cash Equivalents**

| Financial institution     | Account number    | 2021/2022      | 2020/2021      |
|---------------------------|-------------------|----------------|----------------|
|                           |                   | Kshs           | Kshs           |
| a) <b>Current account</b> |                   |                |                |
| Kenya Commercial bank     | 1101996315        | 520,715        | 611,735        |
| <b>Grand Total</b>        | <b>1101996315</b> | <b>520,715</b> | <b>611,735</b> |

**13. Receivables from Exchange Transactions**

|                                  | 2021/2022         | 2020/2021         |
|----------------------------------|-------------------|-------------------|
|                                  | Kshs              | Kshs              |
| <b>Current receivables</b>       |                   |                   |
| Medical service receivables      | 41,100,140        | 69,939,674        |
| <b>Total current receivables</b> | <b>41,100,140</b> | <b>69,939,674</b> |

**13. Inventories**

| Description  | 2021/2022         | 2020/2021         |
|--|-------------------|-------------------|
|  | Kshs              | Kshs              |
| Consumable stores  | 18,159,421        | 19,394,218        |
| Maintenance supplies   | 151,970           | 466,600           |
| Food supplies  | 149,750           | 283,500           |
| Computer Accessories   | 148,600           | 162,500           |
| <b>Total inventories at the lower of cost and net realizable value</b> | <b>18,609,741</b> | <b>20,306,818</b> |

**14. Trade and Other Payables**

| Description                           | 2021/2022         | 2020/2021         |
|---------------------------------------|-------------------|-------------------|
|                                       | Kshs              | Kshs              |
| Trade payables                        | 45,287,515        | 59,908,727        |
| <b>Total trade and other payables</b> | <b>45,287,515</b> | <b>59,908,727</b> |



*Notes to The Financial Statements (Continued)*

**15. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the Hospital include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**County Government of Kisii**

The county Government of Kisii is the principal shareholder of the Hospital, holding 100% of the Hospital's net assets interest.

**Other related parties include:**

- i) The Parent Ministry Health
- ii) Other SCs and SAGAs
- iii) Key management
- iv) Board of directors

**16. Events after the Reporting Period**

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

**17. Ultimate and Holding Entity**

The Hospital is a County Corporation under the Ministry of Health Services of Kisii County Government. Its ultimate parent is the Kisii County Government.

**18. Currency**


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

**XIX. APPENDICES**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of the issue raised by the Auditor-General, and management comments that were provided to the auditor.

| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments   | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|-----------------------------------|--|
|  | <p><b>Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects final receipts budget and actual on comparable basis amounts of Kshs.350,876,886 and Kshs.244,233,154 respectively, resulting in an under-funding by Kshs.106,643,732 or 30% of the approved budget. Similarly, the Hospital spent an amount of Kshs.247,847,003 out of the approved expenditure budget of Kshs.350,876,886, resulting in under expenditure of Kshs.103,029,883 or 29% of the approved expenditure budget.</p> <p>The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.</p> | <p>Financial year 2020/21 financial performance was highly affected by industrial action by medical personal, however effort have been put in place to ensure that funding is adequate.</p> | <p>Resolved</p>                   |  |



Chief Executive Officer

Date 3/11/2022