

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

MACHAKOS LEVEL 5 HOSPITAL

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

COUNTY GOVERNMENT OF MACHAKOS

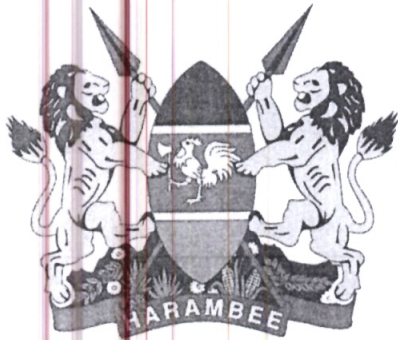
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OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

15 MAY 2024

RECEIVED



**Machakos Level 5 Hospital
(County Government of Machakos)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2022

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

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1. Acronyms & Abbreviations

Provide a list of all acronyms and abbreviations used in the preparation of this report e.g.

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent

2. Key Entity Information and Management

(a) Background information

Machakos Level 5 Hospital is a regional referral hospital and registered by the Kenya Medical Practitioners and Dentists Council under reference number GK-000070 and is domiciled in MACHAKOS County in the HEALTH Department. The hospital is governed by the Department of Health under Chief Executive Committee member for Health, Chief officer and The Hospital Management Committee under the Medical Superintendent.

(b) Principal Activities

The principal activity of the hospital is to provide curative and rehabilitative HEALTH SERVICES.

MISSION

Provision of comprehensive Health care to all by offering quality services to all patients and clients.

VISION

Provision of timely, Accurate, Efficient and Effective client friendly care to patients

Core Objective

Commitment by all to provide high quality health care services to all our clients with dignity, professionalism and within the shortest time possible.

(c) Key Management

The *hospital's* management is under the following key organs:

- County department of health
- Accounting Officer/ Medical Superintendent
- Health Management Committee
- Executive Expenditure Committee

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Paul Nyamweya
2.	Head of finance	Mrs. Monica Ndonye
3.	Head of supply chain	Mr. Jacob Muthiani
4.	Hospital Administrative Officer	Mr. Anthony Wambua
5.	Nursing Services Manager	Mrs. Sabina Mutua

(Include all positions regarded as top management in your hospital).

(e) Fiduciary Oversight Arrangements

- **County Assembly**
There's a committee at county level that oversees operations in all hospitals.
- **Clinical Research Committee**
This committee is involved in co-ordination and regulating research activities in the Hospital. The committee links with an ethics review committee done jointly between the hospital and Machakos University.
- **Executive Expenditure Committee**
The executive committee is the hospital committee that rationalizes budgets for all funds received in the hospital.
- **Hospital management committee**
It is made up of departmental heads and is responsible for operations and management of the hospital.
- **Waiver committee**
The committee is mandated to oversee and evaluate the needy patients through the social worker who conducts an interview of patient's social status

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 19-90100,
MACHAKOS LEVEL 5 HOSPITAL,
MWATU Avenue/Road/Highway,
MACHAKOS, KENYA.

(g) Entity Contacts

Telephone: (+254) 2021685
E-mail: machakoshospital@gmail.com
Website: www.machakos.go.ke

(h) Entity Bankers

KCB Bank Kenya
Account No. 1179296206
Machakos Branch

(i) Independent Auditors

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




(j) Principal Legal Adviser



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

(k) County Attorney

The County Attorney
County Law Office
P.O. Box 1996-90100
Mwatu Wa Ngoma Road


3. Management Team

Ref	Management	Details
1.	 <p>Dr. Paul Nyamweya</p> <p>The Hospital Medical Superintendent</p>	<p>Dr. Paul Nyamweya holds a Bachelor of Pharmacy Degree from the University of Nairobi and a Masters in Public Health (Health Services Management) from the London School of Hygiene and Tropical Medicine. He has over sixteen years of experience in the health sector.</p>
2.	 <p>Mr. Anthony Wambua</p> <p>The Hospital Administrative Officer</p>	<p>Mr. Anthony Wambua holds a diploma in human resource management and an advanced certificate in business management from the Kenya Institute of Management.</p> <p>He has 10 years in a busy logistics in-charge of operations and human resource. He has 5 years experience in the public sector - Health. He is a member of the Kenya Association of Health Administrators membership No 029/20</p>
3.	 <p>CPA. Monica Ndonye</p> <p>Head of Finance</p>	<p>CPA Ndonye is a seasoned accountant with over ten years in experience in finance and accounting in public service. She holds a Bachelor of Commerce - Accounting Option from KCA University and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) in good standing (Member No 13656).</p>

4.	 <p>Mrs. Sabina Mutua</p> <p>Nursing Service Manager</p>	<p>Mrs. Sabina Mutua holds BSN/KRN/KRM Degree with 34 years experience in Public Health Sector. She is a registered Nurse; Registration No. NCK Number 390813</p>
5.	 <p>Mr. Jacob Muthiani</p> <p>Head of Supply Chain Management</p>	<p>Mr. Muthiani holds Bachelor of Business Management and Administration specializing in Supply Chain Management. He is also a member of the Kenya Institute of Supply Chain Management (KSISM) member No. 63782</p>

4. Report of The Medical Superintendent.

Machakos Level 5 Hospital finances its operations through funds received from the county Government treasury through Current Transfers and commodities procured by the county directly from Suppliers Mainly Pharmaceuticals and Non pharmaceutical items. The Hospital has capacity to effectively and efficiently finance her activities through the internal sources of revenue inform of Facility Improvement fund (FIF) and through NHIF Claims. During the period, only NHIF funds have been available for hospital spending. Facility Improvement funds have been paid into county revenue account and therefore not available to the Hospital management for use. This brought up the Hospital financing gap and thereby delaying or scaling down the services offered. During the year, the hospital collected **Ksh. 56,394,707.70** inform of Facility Improvement Fund and **Ksh. 62,405,598** as re-reimbursements from NHIF and accrued **Ksh. 1,114,668** from NHIF as well. Further, the hospital received **Ksh. 10,000,000** from the county Treasury. The Total revenue realized during the period amount to **Ksh.134,905,129**.



.....
Dr. Paul Nyamweya
Medical Superintendent

Date...28/9/2022.....

5. Statement of Performance Against Predetermined Objectives

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

The facility managed to undertake activities in all areas of health care; promotive, preventive, curative and rehabilitative.

Under promotive services, key activities included: -

- Occasional health talks at the outpatient clinic
- Weekly continuous medical education forums
- Occasional Sensitization Programmes within the town and it's environment
- Installation of a television set at outpatient area to air educative programs

In the preventive category, the facility managed to achieve the following: -

- Conducting continuous immunizations within the peri-urban areas
- Conducting immunization exercises for routine vaccines continuously
- Administration of Covid 19 vaccines at the facility and surrounding areas through outreach services
- Screening exercises at the facility and village level for non-communicable diseases
- Administration of de-wormers and vitamin A at Nursery schools

Curative programme entailed: -

- Daily attendance to patients at out-patient department
- Admitting the very sick for in-patient management
- Conducting weekly out-patient clinics
- Performing surgical and obstetric procedures to the deserving
- Ensuring availability of necessary commodities for patient management
- Timely referral for critical cases requiring further management

Rehabilitative services: -

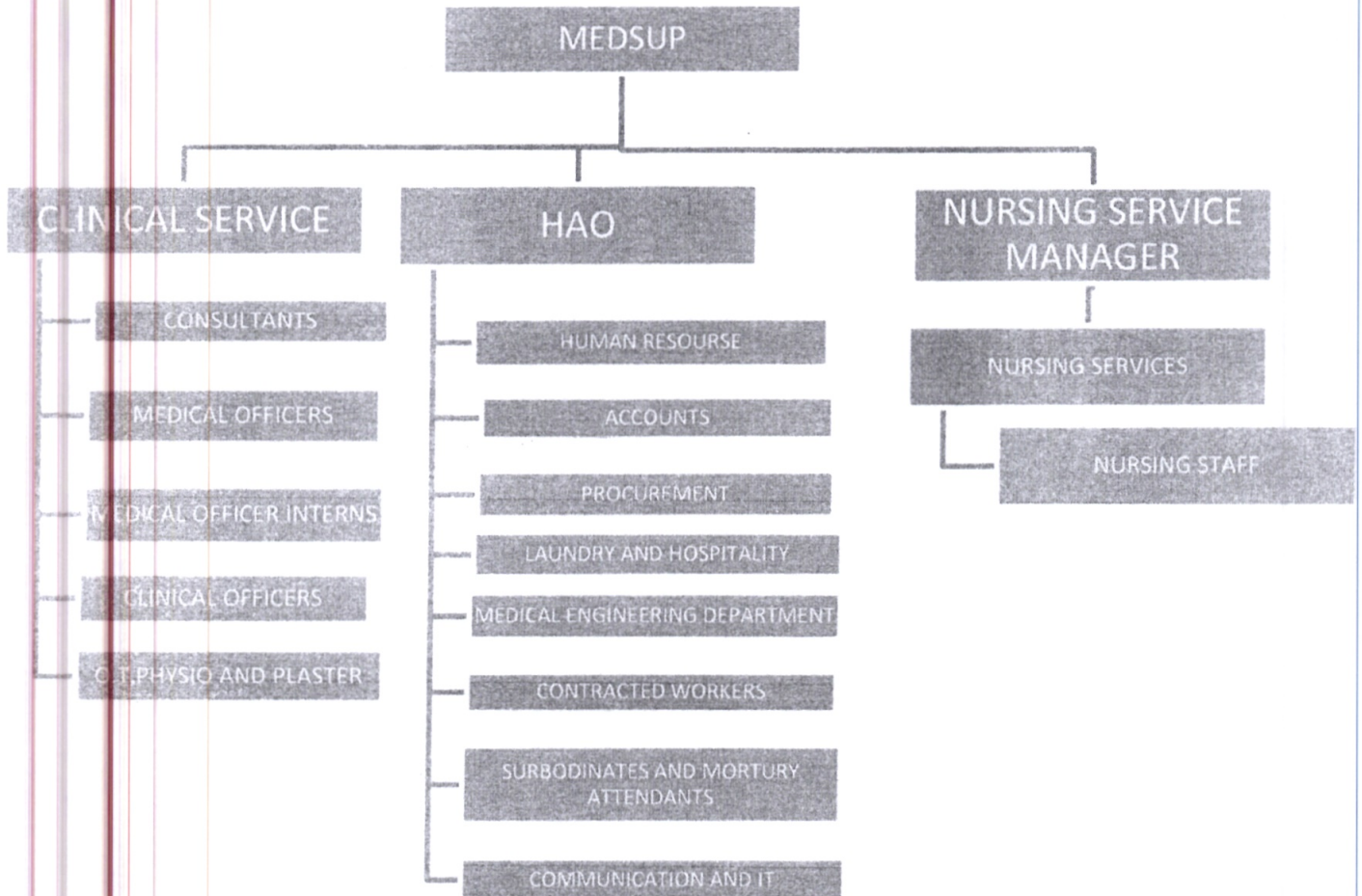
- Provision of physiotherapy and orthopaedic services to patients within the hospital
- Physiotherapy and occupational therapy outreaches to health centres

Counselling services for liable clients either individually or as a group

6. Corporate Governance Statement

Two-to-three pages

The hospital does not have a substantive Board. The hospital Management team has been running the Hospital and it's composed of HOD'S in the facility.



7. Management Discussion and Analysis

Major risks facing the entity

- The operational risk in the hospital is the challenge of funding.
- The market risk for the hospital is the influx of private hospitals.
- Capital risk facing hospital is cash flow issues.
- Credit risk for the hospital are the pending bills.

Clinical/operational performance

	2019/2020	2020/2021	2021/2022
BED CAPACITY	500	500	500
OUT PATIENT ATTENDANCE	328541	275577	243877
ADMISSIONS	15272	14973	11038
DISCHARGES	15513	14838	11128
DEATHS	1032	1071	944
MORTALITY RATE	6.8%	7.2%	8.6%
A/E ATTENDANCE	20413	24396	28766
SPECIALIZED CLINICS ATTENDANCE	86287	121359	90119
AVERAGE LENGTH OF STAY-(DAYS)	6	7	7
BED OCCUPANCY RATE	72%	59%	61%
SURGICAL THEATRE UTILIZATION	4604	4161	3951

NOTE

The patient attendance was steady in the FY 2019/2020 and UHC was still active in the facility, then during the FY 2020/2021 COVID-19 affected the attendance since most clients opted to remain at home for fear of contracting the disease in the hospital. A slight decrease of patients is observed in the FY 2021/2022 due to lack of various supplies to the facility.

The average length of stay in the 3 financial years is 7 days.

On average the Bed Occupancy Rate for the 3 financial years is 64%

The highest Mortality Rate is observed during the last financial year (2021/2022) at 8.6% respectively.

The following Charts presents the performance in the various operational areas;

There is increased activities in our Accident & Emergency department since the facility offers several specialized services, therefore getting many referrals from the whole county as well as the neighbouring counties.

ATTENDANCE REPORT

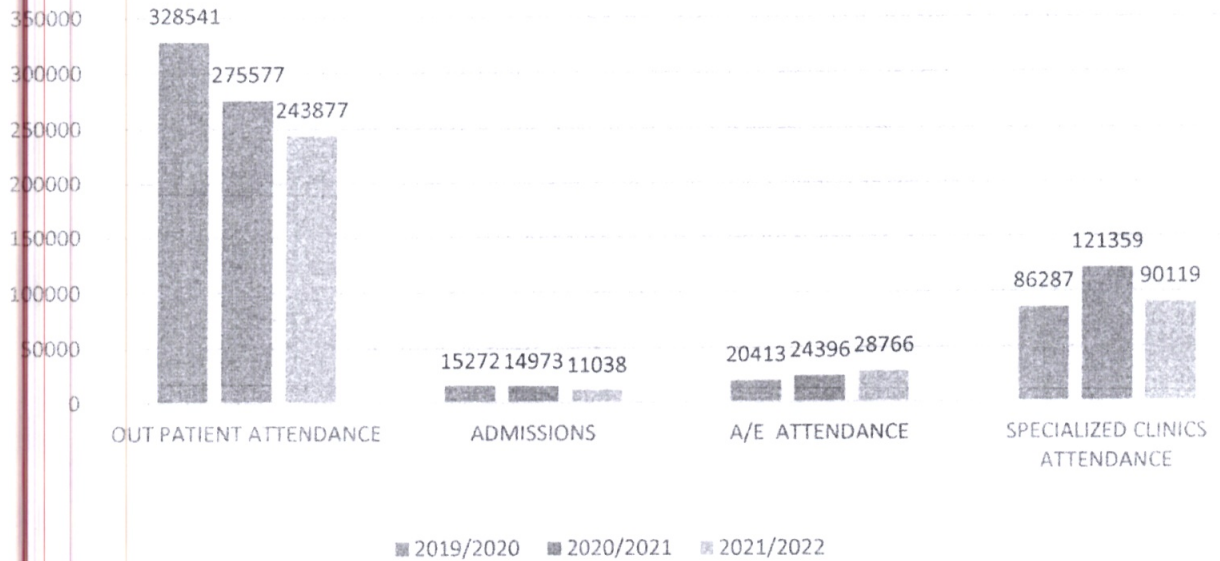


Figure 1: showing trend in patient attendance in various departments

MORTALITY RATE

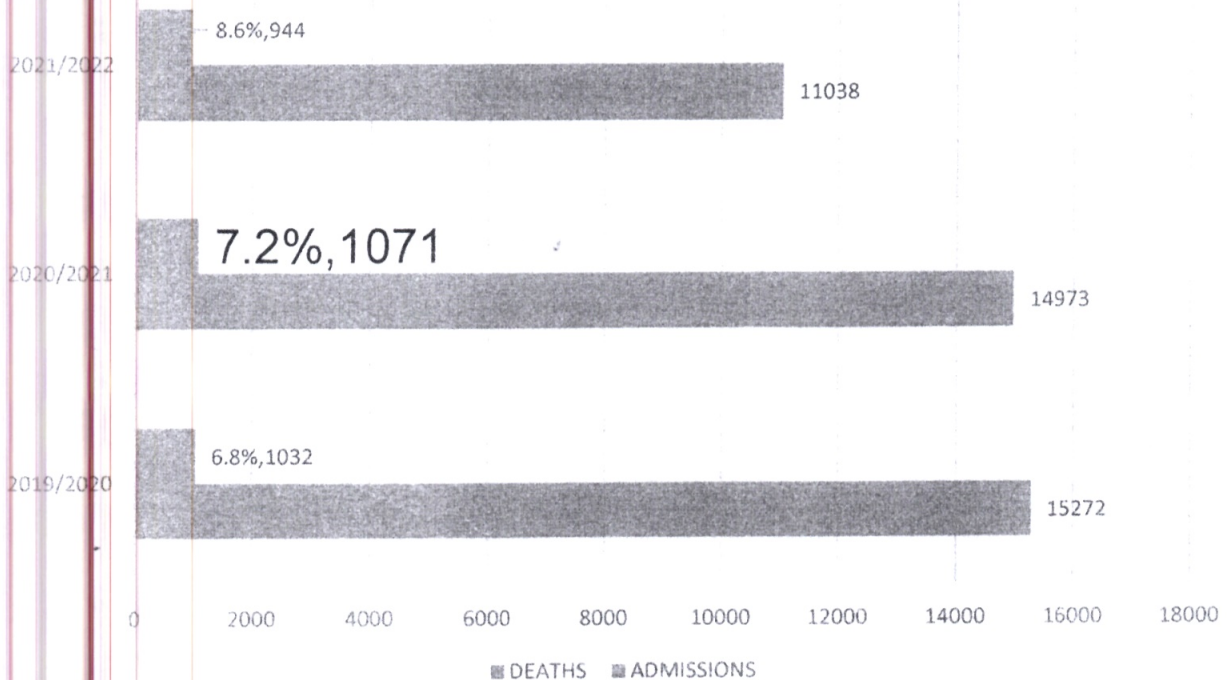



Figure 2: showing the Mortality Rate based on the Number of Deaths occurring among the patients admitted in the hospital.

Financial performance that includes: -

Machakos Level 5 Hospital finances its operations through funds received from the county Government treasury through Current Transfers and commodities procured by the county directly from Suppliers Mainly Pharmaceuticals and Non pharmaceutical items. The Hospital has capacity to effectively and efficiently finance her activities through the internal sources of revenue inform of Facility Improvement fund (FIF) and through NHIF Claims. During the period, only NHIF funds have been available for hospital spending. Facility Improvement funds have been paid into county revenue account and therefore not available to the Hospital management for use. This brought up the Hospital financing gap and thereby delaying or scaling down the services offered. During the year, the hospital collected **Ksh. 56,394,707.70** inform of Facility Improvement Fund and **Ksh. 62,405,598** as reimbursements from **NHIF** and accrued **Ksh. 4,990, 156** from **NHIF** as well. Other Income amounted to **Ksh. 1,114,668** being attachment fee. Further, the hospital received **Ksh. 10,000,000** from the county Treasury. The Total revenue realized during the period amount to **Ksh.134,905,129**.

Approval of the financial statements

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



.....
Dr. Paul Nyamweya
Medical Superintendent

8. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

Include an Introductory paragraph on the main mandate of the organization and its strategy on sustainability. Sustainability being the ability to maintain or continue offering services to the citizens of the country over the long- term. The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

An environmental policy is an organization's declaration of commitment to the environment. It unifies the environmental vision of all key stakeholders in the organization which includes employees, management, partners, shareholders, customers, and suppliers. Purpose of this policy is to guide on reduction of pollution from all discharges (releases to air, water, and land) and reduction of the use of toxic materials hazardous to the environment, employees and public health.

Machakos level 5 hospital works under the principles of the County Environment Policy under the Department of Environment and guided by the National Environment Management Authority (NEMA) EMCA Act and waste disposal Act to ensure environment within the hospital space is protected from any form of pollution. The actions undertaken include: -

- Following the guidelines of health care waste guidelines of Kenya of segregation of waste transportation and pre-treatment. The organization uses marked waste bags to collect waste from the points of production to the pre-treatment plant which is a microwave shredder machine which disinfects and shreds all those waste to a biodegradable state before collection and disposal by the waste collectors. Infectious waste e.g., placentas are macerated using a macerator and connected to the sewage systems.*
- Sharps are always separated at point of use using sharp boxes and incinerated within the compound to an ass state which is thus collected and disposed of at the county's disposal sites.*
- Recyclable materials like carton boxes are separated and stored to be reused for*

purposes both the employee and institution can deem necessary.

- Natural vegetation is always improved by maintaining manicured flower beds and lawns including encouraging tree planting during rainy seasons. Trees within its compound are felled with guidance of the Environment department and only done so when they pose a danger to the clients, workers/ employees or buildings.

- The facility is connected to a municipal sewer line which transports all liquid waste materials to the treatment plant.

Evidence of a policy is not present but as an organization a need has been identified and consultation to generate a policy in collaboration with the county lead agency will be done and a policy document developed.

iii) Employee welfare

The county department has an up-to-date OSH act and it's in line with the national workman's agreement. It is well stated in the department's OSH abstract pinned at specific level 4 and 5 hospitals. The county has already established a county occupational safety and health committee. Facility OSH committees are yet to be set up.

Trainings of the same committees are in need of funds. The budget was set up and forwarded to the medical services directorate.

The staff reward and appraisal system is up and running, only that it had to be paused during the covid-19 pandemic. The process is yet to be resumed in the course of the year with the current government.

iv) Market place practices-

a) Responsible competition practice.

The hospital does not condone any form of corruption within and outside our premises, Political actors are only involved in legislation and assume an oversight role on the operations of the hospital. We are a public facility and we ensure that our services are above board and have a positive impact to our clients.

b) *Responsible Supply chain and supplier relations*

We endeavour to maintain good business practices especially to our partners like Suppliers, we treat them as partners in our operations and we make efforts to meet our obligations to them. The only challenge has been availability of finances on time but we are devoted to clear our debts.

c) *Responsible marketing and advertisement*

Our above-board service delivery and competent professional Human resource and customer commitment has been our marketing strategy.

d) *Product stewardship*

Our client's privacy and rights has been our core duty and we have tried to meet their expectations and striving hard to exceed them.

e) *Corporate Social Responsibility / Community Engagements*

Our CSR has been educating the public on the better practices of prevention of diseases, helping those who cannot meet settling their bills and offering counselling services. We have bills waiving committee in place.

REPUBLIC OF KENYA



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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MACHAKOS LEVEL 5 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF MACHAKOS

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 that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Machakos Level 5 Hospital - County Government of Machakos set out on pages 1 to 54, which comprise of the

Report of the Auditor-General on Machakos Level 5 Hospital for the year ended 30 June, 2022 - County Government of Machakos

statement of financial position 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, 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 respects, the financial position of Machakos Level 5 Hospital - County Government of Machakos 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, the Health Act, 2017 and the Machakos County Health Services Act, 2021.

Basis for Qualified Opinion

1. Non-Disclosure of Employee Costs Paid by the County Government

The statement of financial performance reflects employee costs of Kshs.18,504,013 for casuals and contractual staff as disclosed in Note 16 to the financial statements. The Hospital also received services from medical staff employed and paid by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.18,504,013 could not be confirmed.

2. Non-Disclosure of Inventories

The statements of financial position reflect Nil balance on inventories as disclosed in Note 30 to the financial statements. However, there was no evidence of the annual stock take having been conducted to confirm the quantities, value and status of closing inventories balances.

In the circumstances, the accuracy and completeness of inventories balance could not be confirmed.

3. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil balance in respect of property, plant and equipment as disclosed in Note 31 to the financial statements. However, physical inspection conducted at the Hospital revealed that the Hospital owned fixed assets which included land and buildings, motor vehicles, furniture and equipment of undetermined valued which was not included in the financial statements.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Machakos Level 5 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.449,117,166 and Kshs.134,905,129, resulting in a revenue shortfall of Kshs.314,212,037 or 70% of the budget.

In the circumstances, the revenue shortfall may have affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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. Late Submission of Financial Statements

The financial statements for the year ended 30 June, 2022 were submitted to the Office of the Auditor-General on 03 May, 2023, seven (7) months later than the statutory deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit

Act, 2015 which states that the financial statements required under the Constitution, the Public Financial Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2. Lack of Board of Management

Review of the annual report revealed that the Hospital did not have a Board of Management in place during the year under review. This was contrary to Section 11 of the Machakos County Health Services Act, 2021 which requires, every Hospital to have Hospital Management Board.

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

3. Failure to Prepare Quarterly Revenue Reports

The statement of financial performance reflects a balance of Kshs.56,394,707 in relation to the rendering of services - medical income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County Treasury with a copy to the Auditor-General as per the requirement of Regulations 64. (1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

4. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in April 2024 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits of forty three 43 or 13% of the 323 authorized staff establishment.

Staff Requirements	Level 5 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	50	19	31	62
Anesthesiologists	7	2	5	71
General Surgeons	4	4	0	
Gynecologists	4	4	0	
Pediatrics	4	4	0	
Radiologists	4	2	2	50

Staff Requirements	Level 5 Standard	Number in Hospital	Variance	Percentage %
Kenya Registered Community Health Nurses	250	245	5	2
Total	323	280	43	13

In addition, the hospital lacked the requisite equipment and machines outlined in the Health Policy Guidelines as detailed below;

Item	Level 5 Standard	Current Number	Variance
Functional ICU beds	12	8	4
Functional HDU beds	12	3	9
New Born Unit with Ten(10) Incubators	10	8	2
New Born Unit with Six HDU cots	10	5	5
Seven (7) Operating Theatres	7	3	4

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

In the circumstances, the Hospital will not be able to deliver on its mandate.

5. Managed Equipment Services - Unutilized Medical Equipment

Review of records provided revealed that the Hospital received equipment under the Managed Equipment Services (MES) programme. However, physical verification done in April 2024 revealed that the maintenance contracts with the service providers and the Ministry of Health had expired. As a result, the three (3) ventilators, two (2) patient monitors, three (3) ICU syringe pumps, MRI and OPG machine, portable X-ray, three (3) dialyzing machines, one (1) diathermy and one (1) autoclave were faulty and not functional. All the equipment under the MES programme required service.

In the circumstances, value for money on Managed Equipment Services (MES) programme could not be confirmed.

5. Lack of Fixed Asset Register

The statement of financial position reflects Nil balance on property, plant and equipment. However, it was noted that the Hospital does not maintain fixed asset register. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the Hospital has ever evaluated its assets to ascertain the correct market values.

In the circumstances, the existence of an effective mechanism to safeguard assets could not be confirmed while Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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 overall governance were not effective.

Basis for Conclusion

Expired Medical Supplies

Review of management of pharmaceuticals and non-pharmaceuticals at the Hospital revealed that medical drugs with an estimated value of Kshs. 1,289,955 had expired as at time of audit in April 2024. Further, the store cards used in controlling drugs in the Hospital did not indicate the batch number and expiry dates of the medicines which are useful indicators while issuing drugs to avoid expiry of drugs in the stores. It was therefore not possible to establish whether the issuance of drugs followed the principle of First Expired First Out (FEFO).

In the circumstances, the effectiveness of controls over management of drugs at the Hospital could not be confirmed.

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

Responsibilities of Management and the Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate 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 Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 June, 2024

10. Statement of Financial Performance for The Year Ended 30 June 2022

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	10,000,000	
In-kind contributions from the County Government	7		
Grants from donors and development partners	8		
Transfers from other Government entities	9	-	
Public contributions and donations	10		
		10,000,000	
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	56,394,707	
Revenue from rent of facilities	12	-	
Finance /Interest Income	13	-	
Other income (NHIF Reimbursements and Attachment Fee)	14	68,510,422	
Revenue from exchange transactions		124,905,129	
Total revenue		134,905,129	
Expenses			
Medical/Clinical costs	15	24,666,031	-
Employee costs	16	18,504,013	-
Board of Management Expenses	17	-	-
Depreciation and amortization expense	18	-	-
Repairs and maintenance	19	3,283,221	-
Grants and subsidies	20	-	-
General expenses	21	88,197,582	-
Finance costs	22		-
Total expenses		134,650,847	-
Other gains/(losses)			
Gain on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus for the year		254,282	-

Machakos Level 5 Hospital (County Government of Machakos)
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Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		254,282	-

(The notes set out on pages 27 to 54 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 29/04/2024 and signed on its behalf by:



Monica Ndonye
Finance

Head of



Dr. Paul Nyamweya
Medical Superintendent

ICPAK No: 13656

Machakos Level 5 Hospital (County Government of Machakos)
Annual Report and Financial Statements for The Year Ended 30th June 2022

11. Statement of Financial Position as of 30th June 2022

Description	Notes	2021/22 Kshs	2020/21 Kshs
Assets			
Current assets			
Cash and cash equivalents	27	12,559,880	-
Receivables from exchange transactions	28	4,990,156	-
Receivables from non-exchange transactions	29	-	-
Inventories	30	-	-
Total Current Assets		17,550,036	-
Non-current assets			
Property, plant, and equipment	31	-	-
Intangible assets	32	-	-
Investment property	33	-	-
Total Non-current Assets		-	-
Total assets		17,550,036	-
Liabilities			
Current liabilities			
Trade and other payables	34	17,118,888	-
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
Total Current Liabilities		17,118,888	-
Non-current liabilities			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession liability	40	-	-
Total Non-current liabilities		-	-
Total Liabilities		17,118,888	-
Net assets			
Revaluation reserve		-	-
Accumulated surplus/Deficit		254,282	-
Fund Balance b/f - NHIF KCB Account		176,866	-
		431,148	-


*Machakos Level 5 Hospital (County Government of Machakos)
Annual Report and Financial Statements for The Year Ended 30th June 2022*


Total Net Assets and Liabilities	17,550,036
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Nb: The financial statements are being prepared for the first time and therefore the Fund Balance b/f - NHIF KCB Account of Ksh. 176,866 is the opening balance for the current reporting period.

(The notes set out on pages 27 to 54 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 15/05/2022 and signed on its behalf by:


.....
Monica Ndonge
Head of Finance
ICPAK No13656


.....
Dr. Paul Nyamweya
Medical Superintendent

12. Statement of Changes in Net Asset for The Year Ended 30 June 2022

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020 (previous year)				
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021(previous year)	-	-	-	-
At July 1, 2021 (current year)				
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	254,282	-	-	254,282
Capital/Development grants	-	-	-	-
At June 30, 2022 (current year)	254,282	-	-	254,282

13. Statement of Cash Flows for The Year Ended 30 June 2022

Description	Notes	2021/22 Kshs	2020/21 Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	10,000,000	-
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income	11	56,394,707	-
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Other receipts(<i>specify</i>)	14	63,520,266	-
Total Receipts		129,914,973	-
Payments			
Medical/Clinical costs	15	24,666,031	-
Employee costs	16	18,504,013	-
Board of Management Expenses	17	-	-
Repairs and maintenance	19	3,283,221	-
Grants and subsidies	20	-	-
General expenses	21	71,078,694	-
Finance costs	22	-	-
Refunds paid out			-
Total Payments		117,531,959	-
Net cash flows from/(used in) operating activities		12,383,014	-
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		-	-
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		-	-
Net cash flows from /(used in) investing activities		-	-
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
Net cash flows from /(used in) financing activities		-	-

*Machakos Level 5 Hospital (County Government of Machakos)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

Net increase/(decrease) in cash and cash equivalents		12,383,014	-
Cash and cash equivalents at 1 July		176,866	-
Cash and cash equivalents at 30 Jun		12,559,880	-

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

14. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2022

Description	Original budget a Kshs	Adjustments b Kshs	Final budget c=(a+b) Kshs	Actual on comparable basis d Kshs	Performance difference e=(c-d)	% of utilization f=d/c %
Revenue						
Transfers from the County Government	41,200,434	-	41,200,434	10,000,000	31,200,434	24%
Grants from donors and development partners	-	-	-	-	-	
Transfers from other Government entities	-	-	-	-	-	
Public contributions and donations	-	-	-	-	-	
Rendering of services- Medical Service Income	257,838,937	150,077,795.00	407,916,732	56,394,707	351,522,025	14%
Revenue from rent of facilities	-	-	-	-	-	0%
Finance / interest income	-	-	-	-	-	0%
Other receipts (specify)	-	-	-	68,510,422	(68,510,422)	-100%
Total income	299,039,371	150,077,795	449,117,166	134,905,129	314,212,037	30%
Expenses						
Medical/Clinical costs	248,908,518	118,718,446	367,626,964	24,666,031	342,960,933	7%
Employee costs	15,143,000	11,599,540	26,742,540	18,504,013	8,238,527	69%
Remuneration of directors	-	-	-	-	-	0%
Repairs and maintenance	7,166,209	(3,490,199)	3,676,010	3,283,221	392,789	89%
Grants and subsidies	-	-	-	-	-	0%
General expenses	27,821,644	23,250,008	51,071,652	88,197,582	(37,125,930)	173%
Finance costs	-	-	-	-	-	0%
Refunds	-	-	-	-	-	0%

**Machakos Level 5 Hospital (County Government of Machakos)
Annual Report and Financial Statements for The Year Ended 30th June 2022**

Inventories	-	-	-	-	-	0%
Total expenditure	299,039,371	150,077,795	449,117,166	134,650,847	314,466,319	30%
Surplus for the period	0	0	0	254,282	(254,282)	

Budget notes

1. *The budget was partly utilized for the Hospital operations because it's controlled at the departmental level and we have no control over it.*
 2. *The Hospital was underfunded and thus scaling down her operations.*
 3. *The difference between the original and final budget is due to Re-allocations.*
1. *Provide an explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14*
 2. *Provide an explanation of changes between the original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)*
 3. *Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)*

15. Notes to the Financial Statements

1. General Information

Machakos Level 5 Hospital is established by and derives its authority and accountability from the Kenya Medical and Dentist Act. The entity is wholly owned by the County Government of Machakos and is domiciled in Machakos County in Kenya. The entity's principal activity is provision of Curative and Preventive Health Services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note Xx. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The financial statements have been prepared in accordance with the PFM Act, and (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p>

Standard	Effective date and impact
	<p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

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

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires: -</p> <ol style="list-style-type: none"> <i>i.</i> 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: <i>ii.</i> 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.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

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.

Sale of goods

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

Interest income

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2021/22 was approved by County Assembly on **xxxx**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations of **Kes. 150,781,005** on the FY 2021/2022 budget following the County Assembly's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial 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 on page **xxx** under section **xxx** of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of .xxx years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (Amend as appropriate).*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

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

After initial recognition, inventory is measured at the lower 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 cost and the 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.

k. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

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

p. 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.

Notes to the Financial Statements (Continued)

q. **Employee benefits**

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

r. **Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

s. **Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

t. **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/principal and senior managers.

Notes to the Financial Statements (Continued)

u. Service concession arrangements

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

v. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

w. Comparative figures

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

x. 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, 2022.

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.

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)

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2021/22	2020/21
	KShs	KShs
Unconditional Grants		
Operational Grant	-	-
Level 5 Grants	-	-
Other Grants	-	-
Machakos County Government	10,000,000	-
Conditional Grants		
User Fee Forgone	-	-
Transforming Health Services For Universal Care Project (THUCP)	-	-
DANIDA	-	-
Wards Development Grant	-	-
Paediatric Block Grant	-	-
Administration Block Grant	-	-
Laboratory Grant	-	-
Total Government Grants And Subsidies	10,000,000	-

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the period	Comparative period prior year
			Kshs	Kshs	Kshs
Machakos County Government	10,000,000	-	-	10,000,000	-
Total	10,000,000	-	-	10,000,000	-

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Salaries and wages	-	-
Pharmaceutical and Non-Pharmaceutical Supplies	-	-
Medical supplies-Drawings Rights (KEMSA)	-	-
Utility bills	-	-
Total grants in kind	-	-

8. Grants From Donors and Development Partners

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants (<i>specify</i>)	-	-
Total grants from development partners	-	-

8 (a) Grants from donors and development partners (Classification)

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	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
Total	-	-	-	-	-

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from xxx National Hospital	-	-
Transfer from xxx Institute	-	-
Total Transfers	-	-

10. Public Contributions and Donations

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations(<i>specify</i>)	-	-
Donations in kind-amortised	-	-
Total donations and sponsorships	-	-

10 (a) Reconciliations of amortised grants

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
Conditions to be met – remain liabilities	-	-

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2021/22	2020/21
	KShs	KShs
Pharmaceuticals	861,220	-
Non-Pharmaceuticals	31,070,907	-
Laboratory	11,057,608	-
Radiology	11,453,500	-
Orthopedic and Trauma Technology	25,300	-
Theatre	417,500	-
Accident and Emergency Service	-	-
Anesthesia Service	-	-
Ear Nose and Throat service	174,700	-
Nutrition service	-	-
Cancer centre service	-	-
Dental services	541,700	-
Reproductive health	30,022	-
Paediatrics services	-	-
Farewell home services	115,500	-
Other medical services income	646,750	-
Total revenue from the rendering of services	56,394,707	-

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Residential property	-	-
Commercial property	-	-
Total Revenue from rent of facilities	-	-

13. Finance /Interest Income

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Cash investments and fixed deposits	-	-
Interest income from short- term/ current deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income	-	-

14. Other Income

Description	2021/22	2020/21
	KShs	KShs
Insurance recoveries	62,405,598	-
Income - Attachment Fee	1,114,668	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-
Balance b/f		
Total other income	63,520,266	-
Accrued income - Nhif Claims	4,990,156	
Total	68,510,422	

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2021/22	2020/21
	KShs	KShs
Dental costs/ materials	219,940	-
Laboratory chemicals and reagents	1,470,400	-
Public health activities	3,208,030	-
Food and Ration	4,926,209	-
Uniform, clothing, and linen	245,000	-
Dressing and Non-Pharmaceuticals	-	-
Non-Pharmaceutical supplies	8,728,098	-
Health information stationery	-	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	-	-
Purchase of Medical gases	375,105	-
X-Ray/Radiology supplies	309,465	-
Medical Equipment	1,536,760	-
Other medical related clinical costs (Emergency medical drugs)	3,647,024	-
Total medical/ clinical costs	24,666,031	-

16. Employee Costs

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	18,504,013	-
Contributions to pension schemes	-	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs (<i>specify</i>)	-	-
Employee costs	18,504,013	-

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	-	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
Total	-	-

18. Depreciation and Amortization Expense

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	-	-

19. Repairs And Maintenance

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings	2,620,071	-
Medical equipment	-	-
Office equipment	-	-
Furniture and fittings	-	-
Computers and accessories	-	-
Motor vehicle expenses	663,150	-
Maintenance of civil works	-	-
Total repairs and maintenance	3,283,221	-

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies(<i>specify</i>)	-	-
Total grants and subsidies	-	-

21. General Expenses

Description	2021/22	2020/21
	KShs	KShs
Advertising and publicity expenses	-	-
Electricity	-	-
Catering expenses	518,028	-
Waste management expenses	-	-
Insecticides and rodenticides	-	-
Audit fees	-	-
Bank charges	3,030	-
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	-	-
Fuel expenses	3,162,000	-
Insurance	-	-
Research and development expenses	457,000	-
Travel and accommodation allowance	-	-
Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	9,450	-
Printing and stationery	558,810	-
Hire charges	-	-
Rent expenses	509,922	-
Water and sewerage costs	-	-
Skills development levies	-	-
Telephone and mobile phone services	475,245	-
Internet expenses	1,559,692	-
Staff training and development	240,130	-
Subscriptions to professional bodies	-	-

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Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
Library books/Materials	-	-
Security Services	2,004,480	-
Office Operations	5,186,200	-
Rendering of Services-Medical Service Income - Transfer to CRF	56,394,707	-
Total General Expenses	71,078,694	-
Accrued Liabilities b/f	17,118,888	
Total General Expenses	88,197,582	

22. Finance Costs

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

23. Gain/Loss on Disposal of Non-Current Assets

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised (<i>specify</i>)	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain on Fair Value Investments

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Comprehensive care contracts with NHIF	-	-
Non- Comprehensive contracts care with NHIF	-	-
Linda Mama Program	-	-
Waivers and Exemptions	-	-
Total Gain/Loss	-	-

26. Impairment Loss

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

27. Cash And Cash Equivalentents

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Current accounts	12,559,881	-
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalentents	12,559,881	-

Notes to the Financial Statements (Continued)

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

Description		2021/22	2020/21
Financial institution	Account number	KShs	
a) Current account			
KCB - Machakos County NHIF Reimbursement	1179296206	12,559,880	-
		-	-
Sub- total		12,559,880	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
Sub- total		-	-
d) Others(specify)			
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
Sub- total		-	-
Grand total		12,559,880	-

28. Receivables From Exchange Transactions

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Medical services receivables	4,990,156	-
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables	4,990,156	-

Notes to the Financial Statements (Continued)

29. Receivables From Non-Exchange Transactions

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (<i>non-exchange transactions</i>)	-	-
Less: impairment allowance	-	-
Total	-	-

30. Inventories

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Pharmaceutical supplies	-	-
Maintenance supplies	-	-
Food supplies	-	-
Linen and clothing supplies	-	-
Cleaning materials supplies	-	-
General supplies	-	-
Less: provision for impairment of stocks	-	-
Total	-	-

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Notes to the Financial Statements (Continued)*

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2020(previous year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2021	-	-	-	-	-	-	-	-
At 1 July 2021(current year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2022	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1 July 2021(previous year)	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30 June 2022	-	-	-	-	-	-	-	-

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
At July 2021 (current year)	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30th June 2022	-	-	-	-	-	-	-	-
Net book values								
At 30 th Jun 2021 (previous)	-	-	-	-	-	-	-	-
At 30 th Jun 2022 (current)	-	-	-	-	-	-	-	-

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
Additions-Internal development	-	-
Disposal	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization for the period	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

33. Investment Property

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Disposals during the year	-	-
Fair value gain	-	-
Depreciation (<i>where investment property is at cost</i>)	-	-
Impairment	-	-
At end of the year	-	-

Notes to the Financial Statements (Continued)

34. Trade and other Payables

Description	2021/22	2020/21
	KShs	KShs
Trade payables - Various	17,118,888	-
Employee dues	-	-
Third-party payments (<i>un-remitted payroll deductions</i>)	-	-
Audit fee	-	-
Doctors' fee	-	-
Total trade and other payables	17,118,888	-

35. Refundable Deposits from Customers/Patients

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Medical fees paid in advance	-	-
Credit facility deposit	-	-
Rent deposits	-	-
Others (<i>specify</i>)	-	-
Total deposits	-	-
Ageing analysis:		
Under one year	-	-
1-2 years	-	-
2-3 years	-	-
Over 3 years	-	-
Total	-	-

Notes to the Financial Statements (Continued)

36. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount & time value for money	-	-	-	-
Total provisions	-	-	-	-
Current Provisions				
Non-Current Provisions	-	-	-	-
Total Provisions	-	-	-	-
	-	-	-	-

37. Finance Lease Obligation

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
Total	-	-

38. Deferred Income

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
Total	-	-

Notes to the Financial Statements (Continued)

38 (a) The deferred income movement is as follows:

Description	National government	International funders/donors	Public contributions and donations	Total
Balance b/f	-	-	-	-
Additions during the year	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to statement of financial performance	-	-	-	-
Other transfers (<i>Specify</i>)	-	-	-	-
Balance C/F	-	-	-	-

39. Borrowings

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
Balance at end of the period	-	-

39. (a) Breakdown of Long- and Short-Term Borrowings

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Current Obligation	-	-
Non-Current Obligation	-	-
Total	-	-

Notes to the Financial Statements (Continued)

40. Service Concession Arrangements

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	=	=
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	=	=

41. Social Benefit Liabilities

Description	Insert Current FY	Insert previous FY
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits		
Non- current social benefits	-	-
Total (tie to totals above)	-	-
	-	-

Notes to the Financial Statements (Continued)

42. Cash Generated from Operations

Surplus for the year before tax	Insert Current FY	Insert Comparative FY
	KShs	KShs
Adjusted for:		
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	-	-

Notes to the Financial Statements (Continued)

43. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020 (previous year)				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2022 (current year)				
Receivables from exchange transactions	4,990,156	4,990,156	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	12,559,881	-	-	-
Total	17,550,037	4,990,156	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxx. The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	355,342	1,090,550	11,874,843	13,320,735
Current portion of borrowings	222,670	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	578,012	1,090,550	11,874,843	13,320,735
At 30 June 2022				
Trade payables	3,834,692	5,765,644	829,470	10,429,806
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	3,834,692	5,765,644	829,470	10,429,806

Notes to the Financial Statements (Continued)

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2022			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2022			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
20XX (previous year)			
Euro	10%	-	-
USD	10%	-	-
20XX (current year)			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Notes to the Financial Statements (Continued)

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0. (2022: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs.0. (2022 – KShs.0).

iy) Capital Risk Management

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

Description	Current Period	Comparative Period
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (<i>excess cash and cash equivalents</i>)	-	-
Gearing	-	-

Notes to the Financial Statements (Continued)

44. Related Party Balances

Nature of related party relationships

Entities and other parties related to the entity include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions.

Related parties include management personnel, their associates, and close family members.

xxx County Government is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of the *entity*, both domestic and external. The related parties include:

- i) The National Government;
- ii) The County Government;
- iii) Board of Directors;
- iv) Key Management

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Notes to the Financial Statements (Continued)

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx	-	-
Sales of services to xxx	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	-	-

Notes to the Financial Statements (Continued)

45. Contingent Liabilities

Contingent liabilities	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Court case xxx against the company	-	-
Bank guarantees in favour of subsidiary	-	-
Total	-	-

46. Capital Commitments

Capital Commitments	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Authorised For	-	-
Authorised And Contracted For	-	-
Total	-	-

47. Events after the Reporting Period

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

48. Ultimate and Holding Entity

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

49. Currency

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

16. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

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

* 

Dr. Paul Nyamweya
 Medical Superintendent

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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Appendix III: Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by <i>[Insert name of beneficiary entity]</i> as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30th June 20XX				Amount Received by <i>[beneficiary entity]</i> (KShs) as at 30 th June 20XX (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department of the beneficiary entity:

Name SignDate

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Appendix IV Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments