

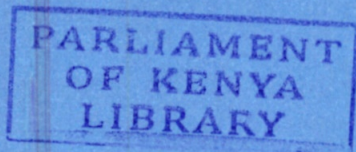
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT



OF

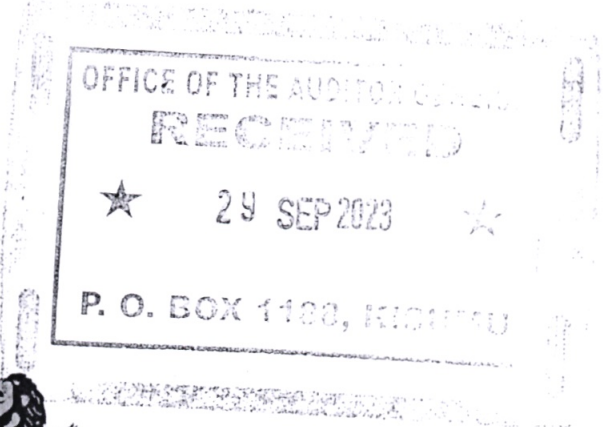
THE AUDITOR-GENERAL

ON

SONDU SUB-COUNTY LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF KISUMU



Revised 30th June 2023



SONDU SUB COUNTY LEVEL 4 HOSPITAL (Kisumu County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

DATE	18/09/24	PREPARED BY	M.L
CHECKED BY		APPROVED BY	Angela
COUNTY TREASURER			
COMPTROLLER			
SECRETARY			

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Level iv County Hospital (Kisumu County Government)
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1. Acronyms & Glossary of Terms

Provide a list of all acronyms and glossary of terms 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
Fiduciary Management	Key management personnel who have financial responsibility in the SSCH
SSCH	Sondu Sub County Hospital

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2. Key SSCH Information and Management

(a) Background information

Sondu Sub County Hospital is a level (4) hospital established under gazette notice and is domiciled in Kisumu County under the Department of Medical Services, Public Health and Sanitation Health & Sanitation Department.

The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the *hospital* is to promote and participate in improving high quality curative, preventive and rehabilitative health services to all

(c) Key Management

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

- County department of Medical Services, Public Health and Sanitation
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others, committee and sub committees

(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	Lucas Nyadida Odero
3.	Head of Nursing	Mrs Risper Bitutu
4.	Head of laboratory	Mrs Ascar Chemutai
5.	Head of Pharmacy	Mr. Innocent Ochenkwu
6.	Head of Clinical services	Mr. Charles Okemwa
7.	Health Records and Information Head	Ms Yvonne Okinda

(e) Fiduciary Oversight Arrangements

Sondu Subcounty Hospital governed by a board of hospital management (HMB) as gazetted periodically via the Kenya Gazette notices, and the hospital management team (HMT) comprising of the Hospital heads of units and departments, the medical superintendent who Chairs the HMT and is the secretary to the HMB.

There are committees and sub committees comprising of members appointed from both HMB and HMT playing oversight over the internal control mechanisms within the SSCH, namely Hospital Ethic Committee, Hospital Anti-Corruption Committees, Executive Expenditure Committee, Hospital Human Resource Advisory Committee, Hospital Audit Committee, Medicines and Therapeutics Committee and Quality Management Committee.

The hospital management works under direct oversight by the Kisumu County Government Department of Medical Services Public Health and Sanitation Chief Officer; the director Medical services and director Public Health and Sanitation under the patronage by the Kisumu County Executive Committee Member.

(f) SSCH Headquarters

SONDU SUB COUNTY HOSPITAL
P.O. Box 271
SONDU.
KENYA

(g) SSCH Contacts

Telephone: (+254) 755377165
E-mail: sonduheakth@gmail.com

(h) SSCH Bankers

Commercial Banks

Kenya Commercial bank

(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

*Sondu Sub County Level 4 Hospital (Kisumu County Government)
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The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

(k) County Attorney

P.O. Box. 2738 - 40100
Kisumu, Kenya

3. The Board of Management

Ref	Directors	Details
1.	Mrs Fatuma Ibrahim	Chairperson of the Hospital management Board.
2.	Rev. Nicholas Seda	Board member in charge of financial management
3.	Martha Okano	Board member representing faith based organisation
4.	Joseph Omune	Board member representing H.C.S.D
5.	Caroline Apollo	Board member representing Professionals
6.	Ms Rose Otieno	Board member representing Youths
7.	Lucas Nyadida Odera	Medical Superintendent & secretary to the Board.

4. Key Management Team

Ref	Management	Details
1.	Lucas Nyadida Odera	Medical Superintendent/ CEO of the Hospital
2.	Mrs Risper Bitutu	Head of Nursing
3.	Mrs. Ascar Chemutai	Head of laboratory
4.	Mr. Charles Okemwa	Head Clinical Services
5.	Mr. Innocent Ochenkwu	Head of Pharmacy

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5. Chairman's Statement

On behalf of the Board, I acknowledge that we are responsible for this hospital SSCH governance. I am specifically responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role, including good governance in dealing with our core mandate. This includes ensuring that Board meetings are held in an open manner, that the directors receive accurate, timely and clear information and allowing sufficient time for agenda items to be discussed. I am also responsible for effective communications with stakeholders and acting as a link between the hospital and the community in providing holistic care.

The Board remains committed to maintaining and evolving high standards of oversight throughout the SSCH

On behalf of the board members of Sondu Sub County Hospital, I am pleased to present the 2023 financial statements of the hospital, the financial year ("FY 2022/23")

Inflation has continued through the years supported by subdued demand pressure, rising food prices (lower than-average rainfall) and higher global oil prices. Against the United States Dollar, the Kenya Shilling depreciated by 6.6% to close the year at 146.15. There were disruptions across supply chains, together with the depreciation of the shilling, increased the cost of doing business and impacted on our business spend management.

Nevertheless, despite facing an ongoing volatile and uncertain economic situation, we managed to overcome these hurdles by tapping into our robust fundamentals and providing the much-sorted aid to our patients during this period

The Hospital remains resilient in delivering quality health services as per the hospital vision and mission to the catchment population and beyond the borders in spite of the challenging and hard economic times.

The Board of management remains ambitious in its pursuit of excellence in the healthcare space as reflected in the implementation of the annual work plan and the annual budgets.



MRs Fatuma Ibrahim

Chairlady, Board of Management

6. Report of the Medical Superintendent

I am pleased to present to you the key highlights of the Annual Report and Financial Statements for the year ended 30th June 2023 for Sondu County Hospital. The hospital management received a total of Kshs 1,138,910.00 Kshs 1,138,122. paid out on different expenses during the period and by end of the financial audit 30th June 2022 the hospital current liabilities stood at Kshs 294,000 of casual wages.

The management prioritized the strengthening of governance frameworks, progressing infrastructure projects as well as playing an active role in managing the financial performance of the Hospital. To achieve this, the hospital engaged the right people into a revamped organizational structure. We believe that the right transformational initiatives will continue yielding results, even in a highly dynamic operating environment. Patient satisfaction is at the centre of what we do. We compliment this with competent and experienced and courteous admitting staff, cutting across different health disciplines.

We pride ourselves for a seamless integration of all these medical services to deliver the highest standard of healthcare. We have reviewed our existing processes, policies, and procedures to respond better to our clients' preferences. This report contains some of the highlights in various functions

EXPENDITURE

The hospital's direct costs increased by 58% in 2023. While the increase in the expense lines was generally in line with the volatile economic situation in the country and ever increasing costs of production and prices of commodities, i.e. cost of referral services, food and ratios prices etc. more than commensurate adverse increases were driven by disruptions in supply chains and the depreciation of the Kenya Shilling against major currencies, particularly the United States Dollar (USD). By December 2022, the shilling exchanged at 140 against the USD, up from 113 at the same time in 2021.

In 2022, we reviewed our supply chain extensively to extract efficiencies, enabling us to continuously maintain our cost base at optimum levels.

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NURSING SERVICES

Quality nursing care remains the pillar of differential healthcare for the Sondu County Hospital patient. The division employs various approaches to enhance care and improve quality. The nursing team has focused on training in quality and patient safety goals

To further enhance quality, Nurses were trained in various skills including gender based violence, oxygen therapy and Emergency Nursing.

IMAGING & RADIOLOGY

In keeping with the vision of the hospital to provide cutting edge service, the hospital is in the process to acquire digital x-ray machine and we continue to offer quality antenatal ultrasound services that have helped save many maternal and foetal lives thus reducing maternal and foetal mortalities.

LABORATORY SERVICES

Revenue from laboratory tests increased by 10% in 2023 over 2022, attributed largely to increased frequencies in running of tests and, and additional of lab personnel.

The laboratory continued its path of digital transformation, some expanded test panels include STD panel and ANC panels. Some of the new tests include Hb1ac and stool for H pylori antigen test

The Laboratory expansion project has started with completion expected within 2025. This is expected to further boost outcomes and improve turnaround times and expand service delivery.

PHARMACY SERVICES

The departmental quality objective on monitoring turnaround time (TAT) is on track. All outpatient pharmacies met the target of serving over 80% of patients within 25 minutes. The overall outpatient average was at 78%. The hospital's turnover reduced by 8% primarily driven by decrease in patient

numbers in of 2022, the hospital completely separated the dispensing area from the stores further complementing its service delivery efficiency.

HUMAN RESOURCES

The Human Resources (HR) Division continued to ensure that the institution attracted employees with the required skills and experiences and to further retain, motivate and develop them. Investing in employees remained paramount, a key pillar in realizing the hospital's strategic objectives.

Central to this was attracting the right talent in key positions; some support staff positions still remain unfilled even as the hospital struggles to ensure compliance with the minimum wage bill as gazetted by the republic of Kenya.

We aim to uphold the values that the institution stands for and promote these within our human capital. This process involves culture surveys aimed at getting feedback from staff as to their wellbeing and working conditions.

LOOKING FORWARD

We recognize that our leadership position as the Hub in the hub and spoke model primary health care being modelled towards UHC realization in Nyakach sub county, Kisumu County that requires us to provide clear standards in the way health services are provided.

Fortunately our strategic plan grants a clear roadmap on enhancing service delivery. Crucial to this is the implementation of the key operational systems, the Hospital Information Management System (HMIS) strengthening the revenue collection, efficient data collection and reducing the patient's turnaround time in different departments' thus efficient service delivery to our patients as well as the implementation of infrastructure projects and continuous replacement of obsolete medical equipment.

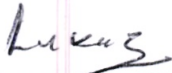
Looking into the future, we foresee strong growth and expanding returns stemming from operations, expanded service delivery points and greater collaboration with respective providers

APPRECIATION

I take this opportunity to express my appreciation to the Chairlady and Members of the Board of Management for their guidance and support throughout our transformation journey. I acknowledge the

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contribution of our entire Staff and Management towards the performance of the hospital. They worked tirelessly through the challenges of 2022 and demonstrated an enduring commitment to provide excellent services to our clients. Thanks also to members of the Admitting Staff for their continued collegial support



Mr. Lucas Nyadida Odera.

Medical superintendent

7. Statement of Performance Against Predetermined Objectives

The Mandate of Sondu Sub County Hospital as an SSCH are

- Ensuring that systems are established for equality for all users of public services in the hospital;
- Ensuring impartiality and fairness in the process of delivery of public services in the hospital;
- Ensuring continuity of public services under all circumstances;
- Establishing systems in the Hospital to enable innovativeness and adaptability of public services to the needs of users;
- Ensuring professionalism and ethics in Public Service is achieved and maintained;
- Establishing systems to ensure promotion and protection of rights of users of public services and public servants as enshrined in the Bill of Rights;
- Institutionalizing a culture of accountability, integrity, transparency and promotion of values and principles of public service;
- Ensuring effective, efficient and responsible use of public resources, and
- Ensuring responsiveness by public servants in delivery of public services.

It is my responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio- economic development.

These 3 Annual Program Based Service Delivery are;

Program 1: Curative and Rehabilitative Health Services; Program Outcome: Effective and efficient curative and rehabilitative health care services to the county citizens

Program Objective: To provide effective and efficient curative and rehabilitative at all health **service delivery units**

Program 2: Preventive and Promotive Health Services; Program Outcome: Effective and efficient preventive and promotive health interventions within the county

Program Objective: To provide effective and efficient preventive and promotive health interventions across the county

Program 3: General Administration, Planning, Management Support and Coordination; Program Outcome: Effective and efficient preventive and promotive health interventions within the county

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Program Objective: To provide effective and efficient preventive and promotive health interventions across the county

Sondu Sub County Hospital develops its annual work plan based on the above 3 programs and 12 sub programs.

Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

The Sondu Sub County Hospital Board of Management achieved its performance targets set for the FY 2021/2022 period for its 12 sub programs under the 3 main program based areas, as indicated in the diagram below:

Sub Program 1: Hospital Service delivery				
S/NO.	INDICATOR	TARGET	FY 2021/2022	FY 2022/2023
1	Number of Blood drives for blood and transfusion services	0	0	0
2	Number of free dental camps conducted	0	0	0
3	Number of children Under 5 dying in health facility	-	0	0
4	Number of surgical cold cases operated	-	0	0
5	Community based rehabilitation outreaches	0	0	0
6	number of clients referred to further management to level 4	-	-	-
7	Number clients referred for further management to level 5		103	142
8	Number of Hospital Therapeutic committee	1	1	1

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	meetings held			
9	Number of clinical audit meetings held	4	2	2
10	Mortality meetings held in past 3 months	0	0	3

**Sub Program 2: Reproductive Maternal Neonatal Child Health (RMNCH)
Services/RMNCAH dashboard**

S/NO.	INDICATOR	TARGET	FY 2021/2022	FY 2022/2023
1	% of under five years treated for Diarrhea	100%	100%	100%
2	% of Pregnant women attending at least 4 ANC visits	100%	42%	52%
3	Women of reproductive age (WRA) receiving family planning (FP) commodities coverage	100%	60%	69%
4	% of pregnant women getting iron supplements	100%	40%	13%
5	Deliveries conducted by skilled attendants in health facilities coverage	5		259
6	Number of Uterine Baloon Tamponade (UBT) distributed	0	0	0
7	Number of Uterine Baloon Tamponade (UBT) used	0	1	1
8	Number of Fresh Still Births in the facility	2	3	4

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9	Number of Facility Maternal deaths	0	0	0
10	Number of maternal deaths audited	0	0	0
11	Under 1 year Penta 1 dropout rates	0%	9%	26%
12	Children under 1 year of age fully immunized coverage	100%	69%	76%

Sub Program 3: Nutrition Services

S/NO.	INDICATOR	TARGET	FY 2021/2022	FY 2022/2023
1	% of Children under 5 years attending Child Welfare Clinics who are under weight	<2%	1.5%	1%
2	% of Children under 5 years attending Child Welfare Clinics who are stunted	<5%	0.2%	0.03%
3	Proportion of ANC Mothers provided with Combined folate	100%	32%	16%
4	Number of facilities with therapeutic feeds	1	1	1

Sub Program 4: TB Control Interventions

S/NO.	INDICATOR	TARGET	FY 2021/2022	FY 2022/2023
1	Number of TB cases Identified	42	20	45
2	Proportion of TB Patients tested for HIV	100%	19%	24%
3	Proportion of TB patients completing treatment	100%	6%	14%

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4	Number of MDR TB diagnosed	0	1	0
5	TBHIV case fatality	0	4	6
Sub program 5: HIV/AIDS prevention interventions				
S/NO.	INDICATOR	TARGET	FY 2021/2022	FY 2022/2023
1	Number of PLWHIV newly identified	95	80	56
2	Proportion of deliveries from HIV+ve Mothers	-	8%	9%
3	Proportion of HIV clients on ART virally suppressed	95%	90%	95%
4	Proportion of HIV exposed infants turning HIV+ve before 24 months	0%	1.9%	1%
Sub program 6: Malaria Control Interventions				
S/NO.	INDICATOR	TARGET	FY 2021/2022	FY 2022/2023
1	Proportion of Children under 1 distributed with Long Lasting Insecticide Treated Nets (LLITNs) in endemic and epidemic districts	100%	78%	73%
2	Proportion Pregnant women receiving LLITNs	100%	95%	93%
3	Proportion of pregnant women receiving IPT2	100%	73%	58%

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4	Proportion of patients testing Malaria positive among those suspected to have Malaria	-	18%	16%
5	Proportion of GOK facilities with Malaria testing Laboratory services among	100%	100%	100%

Sub Program 7: Non-Communicable Disease Control

S/NO.	INDICATOR	TARGET	FY 2021/2022	FY 2022/2023
1	Number of adults OPD clients with BMI more than 25	0	0	0
2	Number of Women of Reproductive Age screened for cervical cancers		158	124
3	Number of new Outpatients with mental health conditions	-	48	30
4	Number of new Outpatients found with high blood pressure	-	73	37
6	Proportion of school age Children de-wormed	100%	100%	100%

Sub Program 9: Gender based violence /GRM Interventions

S/NO.	INDICATOR	TARGET	FY2021/2022	FY2022/2023
1	Number of new outpatient cases attributed to gender-based violence	-	42	23
2	Proportion of facilities with Grievance Monitoring & Redress Committee	100%	0	100%

Sub Program 10: Health workers and Human Resource Management

S/NO.	INDICATOR	TARGET	FY 2021/2022	FY 2022/2023
1	Total number of Medical officers	0	0	0
2	Total number of Clinical Officers	4	4	4

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3	Total number of Nursing staffs	10	10	10
4	Total Number of Laboratory staffs	2	2	2
5	Total number of staffs on sick leave	0	0	0
6	Total number on study leave	1	1	1

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8. Corporate Governance Statement

The County Government of Kisumu has instituted systems to ensure that high standards of governance are maintained at all levels of the Hospital.

The Hospital Board of Management recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness, and integrity.

The Board of Management is responsible for the provision of oversight to the operational activities of the Hospital on behalf of the members of the public and citizen of Kenya in line with the manifesto of the Governor and Ministry of Health regulations and guidelines.

They are also entrusted with the responsibility of ensuring strong corporate governance and ethical practices within the Hospital. Their role extends to ensuring that the Hospital complies with the relevant laws.

The Board members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate best practices.

Below are the key features of corporate governance structures and internal control systems put in place and that were in operation during the year.

BOARD OF MANAGEMENT

The Board of Management is composed of non-executive appointed members via The Kenya Gazette Notices after every 3 years.

Exercising the powers conferred by Article 183 and 186(1) of the constitution of Kenya 2010, and Part 2 of the Fourth schedule thereof, section 36 of the County Government Act and section 20 (n), (o), and (p) of the Health Act, 2017, the Kisumu County Executive Committee Member for Medical Services, Public Health and Sanitation, appointed on 11th October 2019 via The Kenya Gazette Notice issue 404 the following (see table below) to the Sub-County Hospital board for a term of 3 years to serve on part-time basis;

Name	Role
Mrs Fatuma Ibrahim	Chairperson of the Hospital management Board.
Mr Nicholas Seda	Board member in charge of financial management
Mrs Martha Okano	Board member representing faith based organisation
Ms Rose Otieno	Board member representing H.C.S.D
Mrs Carolyn apolo	Board member representing Professionals
Mr Albert tambo	Board member representing Youths
Mr Lucas Nyadida Odera	Medical Superintendent & secretary to the Board.

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The Board is held accountable and responsible for the effective governance of the institution. Members of the Board have a broad range of skills and experience, and each brings independent judgment and unique expertise and advisory perspectives to the Board's deliberations.

Summarized below are the key roles and responsibilities of the Board:

- Approve and adopt strategic plans and annual budgets, set objectives, and review key risk and performance areas.
- Determine overall policies and procedures to ensure integrity of the Hospital's management of risk and internal controls.
- Review, at regular meetings, Management's performance against approved deliverables.

The full Board meets at least five times a year and the Chairperson holds weekly meetings with the Chief Executive Officer.

The Board members are given appropriate and timely information to enable them maintain full and effective control over strategic, financial, operational and compliance matters.

Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the Hospital's overall internal control, financial, operational and compliance framework.

The Board meets quarterly as per its annual work plan or additionally when necessary to consider matters of SSCH oversight. The Board's agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within the stipulated timeline.

BOARD REMUNERATION

Hospital Board of Management members provide services to the SSCH to which they are entitled to a remuneration as provided for by the SRC guidelines and circulars on Remuneration of board members for level IV hospitals.

They are paid a standard fee for attending Board meetings, board committee meetings and any other SSCH business that they may be called to undertake.

9. Management Discussion and Analysis

Clinical/operational performance

Data from the Health records and information department shows the following details as to clinical/operational performance of Sondu Sub County Hospital in the financial years of 2021/2022 and 2022/2023:

Performance Item/ Activity	Unit of count/ measure	Financial year	
		2021 -2022	2022 – 2023

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Bed capacity of the hospital	No. of beds	5	5
Overall patient attendance during the year; both inpatient & outpatient	No. of patients	7,100	

The hospitals lacks accidents and emergency department. As such all cases received within the periods above were all referred to either Kisumu County Referral Hospital or Jaramogi Oginga Odinga Teaching and Referral Hospital

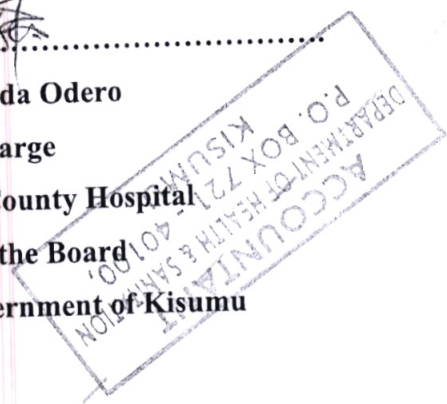
Financial performance that includes

During the period the FY 2022-2023, Sondu sub County Hospital generated its revenues from the on-source revenue collections (service charges), NHIF and MARWA disbursements as well as the recurrent funds from the County Government of Kisumu.

The funds for the FY 2022 – 2023 were spent as per the details of this report



.....
Lucas Nyadida Odera
Facility in charge
Sondu Sub County Hospital
Secretary to the Board
County Government of Kisumu



10. Environmental And Sustainability Reporting

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

The Board of Management of Sondu Sub County Hospital is committed to both the protection of the environment and evaluating the impact that the SSCH's services can have.

Compliance with legislation is the minimum standard to which the hospital shall adhere.

The hospital shall also endeavour to follow best practice with due regard for its SSCH needs, in line with the requirements of NEMA and the expectations of all interested parties.

The objectives for the Hospital under this policy are to:

- Reduce the carbon footprint of the Hospital,
- Reduce energy consumption,
- Minimise the production of all types of waste, especially paper. Encourage reuse, recycling and the disposal of other waste that cannot be avoided, in a responsible manner.

All board members and Hospital management team are responsible for communicating and implementing this Policy and ensure that;

- a) Employees and contractors are encouraged to be receptive to the personal impact they can have on this policy and to report areas of concern.
- b) Training is provided as part of staff development taking into account responsibilities.
- c) Efforts are made to minimize travel by maximising IT systems.
- d) Favour the use of suppliers who are committed to environmental good practice.
- e) Carbon offsetting is implemented, that as a minimum, is commensurate to the level of the SSCH travel.
- f) Pollution is prevented in all forms, especially from redundant electrical equipment.
- g) All incidents detrimental to the environment are reported, investigated and action taken to prevent reoccurrence.

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The hospital management is committed to continually improving its performance by regularly reviewing its environmental impacts, and on an annual basis, update its policy in line with the review

The Hospital management follows the EU Taxonomy Regulation establishing six key environmental objectives towards sustainability;

- i) Climate change mitigation
- ii) Climate change adaptation
- iii) The sustainable use and protection of water and marine resources
- iv) The transition to a circular economy
- v) Pollution prevention and control
- vi) The protection and restoration of biodiversity and ecosystems

The Hospital management notes that different means may be required for an activity to make a substantial contribution to each objective and as leaders we must find ways to ensure impact measures continue to grow and evolve with changing needs.

For sustainability reporting to contribute to better decision-making, reporting needs to transition from voluntary practices to mandatory requirements; this effort is much appreciated.

11. Report of The Board of Management

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

Principal activities

Sondu Sub County Hospital provides not-for-profit public health care services towards realization of universal healthcare in Kenya.

Financial Performance

The hospital management received a total of Kshs **1165910.00** Kshs **1165122.00** paid out on different expenses during the period and by end of the financial audit 30th June 2022 the hospital current liabilities stood at Ks **294000.00**

Management prioritized the strengthening of governance frameworks, progressing infrastructure projects as well as playing an active role in managing the financial performance of the Hospital.

To achieve this, the hospital engaged the right people into a revamped organizational structure.

Patient satisfaction is at the centre of what we do. We compliment this with competent and experienced and courteous staff, cutting across different health disciplines.

We pride ourselves for a seamless integration of all these medical services to deliver the highest standard of healthcare. We have reviewed our existing processes, policies, and procedures to respond better to our clients' preferences.

Principal risks and uncertainties

The Board of management is constantly reviewing whether the policies and risk management programs in place are appropriate and effective to manage and minimize the exposure in the long term.

The risks that the Hospital is exposed to include:

- Financial Risks, these include the market risks, credit risk, foreign exchange fluctuations exposure and other regulatory risks that affect the market and financial sector operations which could have a ripple effect on the hospital
- Operational risk mainly includes both internal and external factors that affect the hospital processes, personnel, technology, and infrastructure
- The legal and regulatory requirements can have a significant impact on the operations of the Hospital

Corporate Social Responsibility

**Sondu Sub County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023**

Social sustainability requires development of policies and practices that promote the co-existence of the association with both the internal and external stakeholders.
The hospital continues to be actively involved in corporate social responsibilities within various Communities.

Outlook

The Hospital's focus continues to be on quality patient care, which is the pillar of the Hospital, and it is with this culture of service excellence that continues to strengthen our patient-focus, service delivery and processes to deliver healthcare with a difference.

This is outlined in our strategic plan and the initiatives to deliver quality to all our stakeholders.

While the operating environment still poses challenges, we have taken deliberate strategies to ensure that the delivery of these initiatives remains on track.

BOARD OF MANagements' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

Each of the persons who is a member of the Board of Management at the date of approval of this report confirms that: so far as the Board Member is aware, there is no relevant audit information of which the auditors are unaware; and the Board Member has taken all the steps that he/she ought to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

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

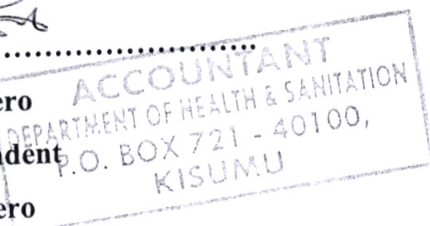
By Order of the Board



.....
Lucas Nyadida Odera
Medical Superintendent

Lucas Nyadida Odera
Secretary to the Board

County Government of Kisumu



12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of that *SSCH*, which give a true and fair view of the state of affairs of the *SSCH* at the end of the financial year/period and the operating results of the *SSCH* for that year/period. The Board of Management is also required to ensure that the *SSCH* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *SSCH*. The council members are also responsible for safeguarding the assets of the *SSCH*.

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

The Board of Management accepts responsibility for the *SSCH* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

The Board members are of the opinion that the *SSCH*'s financial statements give a true and fair view of the state of *SSCH* transactions during the financial year ended June 30, 2023, and of the *SSCH* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *SSCH*, which have been relied upon in the preparation of the *SSCH* financial statements as well as the adequacy of the systems of internal financial control.

They also accept responsibility for:

- Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- Selecting suitable accounting policies and applying them consistently; and
- Making accounting estimates and judgements that are reasonable in the circumstances.


The Hospital Board of Management acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.


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

*Sondu Sub County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

Approval of the financial statements

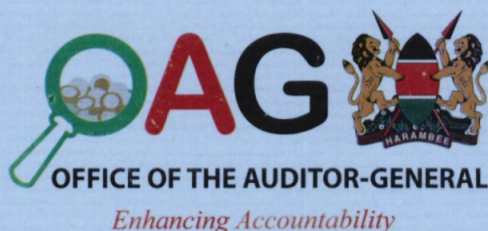
The Hospital's financial statements were approved by the Board on 29/9/2023 and signed on its behalf by:


.....
Name:
Chairperson
Board of Management


.....
Name: ACCOUNTANT
DEPARTMENT OF HEALTH & SANITATION
Accounting Officer 40100,
KISUMU

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON SONDU SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF KISUMU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Sondu Sub-County Level 4 Hospital - County Government of Kisumu set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial

Report of the Auditor-General on Sondu Sub-County Level 4 Hospital for the year ended 30 June, 2023 - County Government of Kisumu

performance, statement of changes in net assets, statement of cash flows and the 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.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position Sondu Sub-County Level 4 Hospital – County Government of Kisumu as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

The financial statements provided for audit had the following inaccuracies;

- i. The statement of comparison of budget and actual amounts has not been included in the financial statements.
- ii. The statement of financial position reflects a Nil amount for surplus/deficit although the statement of financial performance reflects a deficit of Kshs.142,716 and Kshs.623,016 for the financial year 2022/2023 and 2021/2022 respectively.
- iii. The statement of changes in net assets reflects a Nil amount for accumulated surplus as at 30 June, 2023 while the statement of financial performance reflects (Kshs.142,716) deficit for the year and a comparative amount of (Kshs.623,000).
- iv. The statement of cashflow reflects a net decrease in cash and cash equivalents amount of Kshs.142,716 however, the recalculated amount was Kshs.157,284.
- v. The statement of financial performance reflects a comparative amount of Nil for grants from donors and development partners while the prior year's financial statements indicates Kshs.425,270 for the same.
- vi. The statement of financial performance reflects an opening balance for revenue from exchange transactions amount of Kshs.1,916,089 while the prior year financial statements indicates an amount of Kshs.2,257,612 for the same.
- vii. The statement of financial performance reflects an opening balance for net surplus for the year amount of Kshs.623,016 while the prior year financial statements indicates an amount of Kshs.197,753 for the same.

- viii. The statement of financial position reflects total net assets and liabilities amount of Kshs.462,942 while the prior year's financial statements indicates a Nil amount for the same.
- ix. The statement of cashflow reflects opening balance for transfer from the County Government an amount of Kshs.1,832,349 while the prior year financial statement indicates an amount of Kshs.1,832,342 for the same.
- x. The statement of cashflow reflects Nil amount for transfer from other Government entities while the prior year financial statements indicates an amount of Kshs.425,270 for the same.
- xi. The statement of cashflow indicates an opening balance for cash and cash equivalent amount of Kshs.462,942 while the prior year's financial statements reflects a Nil amount for the same.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Variances Between the Revenue Reported and the Manual Monthly Collection Analysis

The statement of financial performance reflects rendering services - medical services income of Kshs.178,211 as disclosed in Note 7 to the financial statements. Analysis of the Manual Monthly Collection Reports and bank statements to verify receipt of the funds reflect a receipt of funds amounting to Kshs.2,338,249 resulting to unexplainable variance of Kshs.2,160,038.

In the circumstances, the accuracy and completeness of the revenue from exchange transactions amount of Kshs.178,211 could not be confirmed.

3. Employee Costs

The statement of financial performance reflects employee costs amount of Kshs.308,000 as disclosed in Note 9 to the financial statements. Review of the records provided for audit revealed the following anomalies:

3.1 Underpayment of Casuals

Review of the documents provided for audit including the master rolls and the payment vouchers revealed that the casual employees were being underpaid with some even receiving a monthly pay of Kshs.6,000 per month against the minimum wage rate of Kshs.13,572.90 for the general casuals as per the minimum wage guidelines.

3.2 Failure to Disclose the Unpaid Wages

The amount of Kshs.308,000 excludes arrears of Kshs.294,000 owed to casual employees as wages for the months of October, 2022 to June, 2023. Further,

Kshs.294,000 was not disclosed as trade and other payables in the statement of financial position.

3.3 Non-Disclosure of Employee Costs Paid by the County Government

The Hospital received services from staff who are on permanent and pensionable basis and on contract who are employed and paid by the County. However, the expenditure was not disclosed in the financial statements.

Further, Management did not provide supporting documents including the monthly payrolls, employees' ethnicity, personnel files, list of employees recruited during the year and those who exited during the year and also other details like full name, age, sex, occupation, date of employment, nationality and educational level of each of his employees as stipulated in law. It was therefore not possible to determine the actual amount paid by the County Government on behalf of the Hospital as salaries.

3.4 Non-Disclosure of Grants from Donors and Development Partners

Review of staff list revealed that a total of eighteen (18) members of staff were being paid by a non-governmental Organization (Donor). However, monthly payrolls and the actual amount paid as salaries were not disclosed in the financial statements as Grants from Donors and Development Partners.

In the circumstances, the accuracy and completeness of the employee costs amount of Kshs.308,000 could not be confirmed.

4. Variances in Revenue from Rendering Services

The statement of financial performance reflects Kshs.178,211 in respect to rendering of service- medical service income as disclosed in Note 7 to the financial statements. This amount does not include National Health Insurance Fund reimbursements. However, the National Health Insurance Fund records revealed an amount of Kshs.471,000 was paid to the Hospital during the financial year resulting to an unexplained variance of Kshs.471,000.

In the circumstances, the accuracy and completeness of revenue from rendering services- Medical service Income of Kshs.178,211 could not be confirmed.

5. Variances in Receivables from Exchange Transactions

The statement of financial position reflects Nil balance in respect to receivables from exchange transactions. However, data from the National Health Insurance Fund (NHIF) indicates an outstanding amount of Kshs.1,318,180 resulting to an unexplained variance of Kshs.1,318,180.

In the circumstances, the accuracy and completeness of the Nil balance in respect of receivables from exchange transactions could not be confirmed.

6. Variances in Trade and Other Payables

The statement of financial position reflects Nil balance in respect to trade and other payables. However, KEMSA records reflect Kshs.1,990 resulting to an unexplained variance of Kshs.1,990.

In the circumstances, the accuracy, and completeness of Nil balance in respect to trade and other payables could not be confirmed.

7. Unsupported Cash and Cash Equivalents

The statement of financial position reflects a cash and cash equivalent balance of Kshs.153,447 as disclosed in Note 27 to the financial statements. However, review of the documents provided for audit including the cash books and bank statements revealed that the financial statements reflects an amount of Kshs.153,447 while the cash book reflects a balance of Kshs.153,927 leading to a variance of Kshs.480.

In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs.153,447 could not be confirmed.

8. Unconfirmed Inventory Balance

The statement of financial position reflects Nil balance for inventories. However, physical verification in stores records revealed that some Hospital items had closing balances of undetermined value. Further, no inventory valuation report was provided for audit and no evidence of conducting of the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2023.

In the circumstances, the accuracy, completeness and valuation of the Nil inventory balance could not be confirmed.

9. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil property, plant and equipment balance. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of Nil 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 Sondu Sub-County Level 4 Hospital Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements

Review of the financial statements and annual reports provided for audit revealed the following anomalies;

- i. The profile of the Board does not indicate whether members are independent or alternate.
- ii. The profile of Medical Superintendent does not indicate whether he has a masters degree as required. In addition, the profiles of Management team do not include their passport size photos and their key professional qualifications.
- iii. The profile of Board members does not indicate their age, key qualifications and work experience.
- iv. The financial statements have not been signed by anyone with ICPAK registration number.
- v. The corresponding page number for the statement of comparison of budget and actual amounts reflects Error! Bookmark not defined.
- vi. The statements reflected in the table of contents page reflects 30 June 20xx.
- vii. The statement of cashflow does not indicate the respective Note numbers.

- viii. Management discussions and analysis does not include important details like mortality rate, bed occupancy rate and the average length of stay for the patients.
- ix. The financial performance on page xxiv indicates that the Hospital Management received a total of Kshs.1,165,910 and Kshs.1,165,122 paid out on different expenses during the period which is false as per the statement of financial performance and statement of financial position.
- x. The statement of financial performance indicates prior year as 2020/21 instead of 2021/22.
- xi. The heading in the statement of financial performance, statement of financial position, statement of net assets and the statement of cashflow reads Sondu Level iv sub-county Hospital instead of Sondu Sub County Level 4 Hospital.
- xii. The statement of changes in net assets erroneously indicates July 1, 2022 and July 1, 2023 instead of 1 July, 2021 and 1 July, 2022 respectively.

In the circumstances, the presentation and disclosures in the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board.

2. Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects rendering services- medical services income of Kshs.178,211 as disclosed in Note 7 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of Public Finance and Management (County Government) Regulations 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

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

3. Lack of Quarterly Revenue Reports

The statement of financial performance reflects Kshs.178,211 in relation to the rendering of services - medical income as disclosed in Note 7 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) 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 (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by 93 staff requirements or 92% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	0	16	100
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	8	67	89
Total	101	8	93	92

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	0	150	100
Resuscitaire (2 In Labor & 1 In Theatre)	2	0	2	100
New Born Unit Incubators	5	1	4	80
New Born Unit Cots	5	0	5	100
Functional ICU Beds	6	0	6	100
High Dependency Unit (Hdu) Beds	6	0	6	100
Renal Unit with At least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres- Maternity & General	2	0	2	100

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.

4. Non-compliance on Biomedical Waste Management

Review of the operations at the Hospital revealed that the facility operated without an incinerator and that non-sensitive Hospital waste was accumulated at the burning chamber for months due to lack of fuel. The sensitive biomedical waste is accumulated and transported to Kisumu level 5 Hospital for disposal. However, there was no evidence that Management had complied with NEMA Waste Management Regulations, 2006 on biomedical waste management on taking all practical steps to ensure that waste is managed in a manner which will protect human health and the environment against the adverse effects which may result from the waste.

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

5. Board of Management Expenses

5.1 Lack of Appointment Letters for the Board Members

The statement of financial performance reflects board expenses of Kshs.23,500 as disclosed in Note 10 to the financial statements. Review of the Board records including the Kenya gazette notices revealed that on 11 October, 2019, seven (7) members were gazetted and appointed to the Board of Management of the Hospital. However, the appointment letters for the Board members indicating the terms of engagement were not provided for audit. Management revealed members were not issued with letters.

5.2 Irregular Board Meetings

The Governor of Kisumu County appointed the Board of Management through a Gazette Notice on 11 October, 2019 for a term of three (3) years which expired on October, 2022. However, review of Board files revealed that one (1) Board meeting was held on 11 January, 2023 which was after the expiry date of their appointment. No evidence of extension of their appointment was provided for audit.

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

6. Irregular Procurement of Medical/Clinical Items

The statement of financial performance reflects medical/clinical costs of Kshs.555,787. Review of the payment records including the payment vouchers revealed that the Management procured goods directly from the suppliers without subjecting them to the procurement process. This was contrary to Section 106(1)(b) of the Public Procurement and Asset Disposal Act, 2015 which requires a procuring entity to prepare on prequalified

listing of suppliers which sets out the specific requirements relating to goods, works or services being procured.

In the circumstances, the regularity and value for money may not have been achieved on the expenditure of Kshs.555,787 in respect of medical/clinical goods and services.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Risk Management Policy

During the year under review, the Hospital operated without a documented risk management policy framework. Further, there was no evidence of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on entities' operation. This was contrary to regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal controls that builds robust business operations.

In the circumstances, effectiveness of risk management system at the Hospital could not be confirmed.

2. Condemned Building in Use

Physical inspection of the Hospital's property done in April, 2024 revealed that there is a building which had long been condemned by Public Works and Public Health including during the period under review. The building has asbestos roof and cracks making it inhabitable for humans. However, the building was being used as a maternity ward but as at the time of audit, it was used as a dumping place for sharps.

In the circumstances, the safety of the staff and patients while in the facility is compromised.

3. Lack of a Reliable System for Operations of the Hospital

Review of the operations at the Hospital revealed that the Hospital had no information system in place that is integrated to the different departments including the laboratory, pharmacy among others. The Hospital is using manual system for operations such as receipting of revenue, billing and generating reports, which are sometimes fed into Microsoft excel. The Hospital does not have internet connectivity to assist in the operations of the Hospital.

In the circumstances, the effectiveness of internal controls in the operations could not be confirmed.

4. Lack of Revenue Safeguards and Controls

The statement of financial performance reflects total revenue of Kshs.948,071 which includes revenue from exchange transactions on rendering of services-medical service income of Kshs.178,211. Review of the documentation provided revealed that Management of the facility received cash from the patients and generated manual receipts. Further, the banking slips were not supported by any receipts and therefore it was difficult to ascertain that the correct amount was banked. In addition, the receipts in the books are not dated making it difficult to ascertain collections for a certain day. Further, there was no segregation of duties in revenue collection because the same person receives revenue, issues receipts and carries out the banking of revenue.

In the circumstances, the effectiveness of the internal controls over revenue management could not be confirmed.

5. Failure to Maintain Fixed Asset Register

The statement of financial position reflects Nil property, plant and equipment balance. However, it was noted that the Hospital does not maintain fixed asset register to control its assets. This is contrary to Regulation 136(1) of the Public Finance Management (County Government) 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 fund 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 and Management was in breach of the regulations.

6. Lack of Hospital Management Board

The statement of financial performance reflects board expenses of Kshs.23,500 as disclosed in Note 10 to the financial statements. It was noted that the Governor of Kisumu

County appointed the Board of Management through a Gazette Notice on 11 October, 2019 for a term of three (3) years which expired on October, 2022. However, review of Board files revealed that one (1) Board meeting was held on 11 January, 2023 which was after the expiry date of their appointment. No evidence of extension of their appointment was provided for audit.

In the circumstances, the effectiveness of management oversight and governance function 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 Board of Management

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 overall 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 the Hospital or to cease operations.

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

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

The Board of 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

08 July, 2024

Sondu Level iv Sub County Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023


14. **Statement of Financial Performance for The Year Ended 30 June 2023**

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

Description	Notes	2022/23	2020/21
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	769,860	1,832,349
In- kind contributions from the County Government			
Grants from donors and development partners			
Transfers from other Government entities			
Public contributions and donations			
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	178,211	83,740
Revenue from rent of facilities			
Finance /Interest Income			
Other income (<i>specify</i>)			
Revenue from exchange transactions			
Total revenue		948,071	1,916,089
Expenses			
Medical/Clinical costs	8	555,787	1,047,457
Employee costs	9	308,000	788,000
Board of Management Expenses	10	23,500	75,000
Depreciation and amortization expense			
Repairs and maintenance	11	30,000	155,000
Grants and subsidies			
General expenses	12	173,500	473,648
Finance costs			
Total expenses		1,090,787	2,539,105

Sondu Level iv Sub County Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

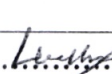
Other gains/(losses)			
Gain on disposal of non-Current assets			
Unrealized gain on fair value of investments			
Medical services contracts Gains/Losses			
Impairment loss			
Gain on foreign exchange transactions			
Total other gains/(losses)			
Net Surplus for the year		(142,716)	(623,016)
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling SSCH			



Chairman
Board of Management



Head of Finance
ICPAK No:



Medical Superintendent

Sondu Level iv Sub County Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

15. Statement of Financial Position As At 30th June 2023

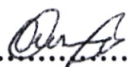
Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents		153,447	462,942
Receivables from exchange transactions			
Receivables from non-exchange transactions		300,000	0
Inventories			
Total Current Assets		453,447	462,942
Non-current assets			
Property, plant, and equipment		0	0
Intangible assets		0	0
Investment property		0	0
Total Non-current Assets		0	0
Total assets			
Liabilities			
Current liabilities			
Trade and other payables			
Refundable deposits from customers/Patients			
Provisions			
Finance lease obligation			
Current portion of deferred income			
Current portion of borrowings			
Social Benefits			
Total Current Liabilities			
Non-current liabilities			
Provisions			
Non-Current Finance lease obligation			
Non-Current portion of deferred income			
Non - Current portion of borrowings			
Service concession liability			
Social Benefits			

*Sondu Level iv Sub County Hospital (Kisumu County Government)
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Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Total Non-current liabilities			
Total Liabilities			
Net assets			
Revaluation reserve		0	0
Accumulated surplus/Deficit		0	0
Capital Fund		0	0
Total Net Assets and Liabilities		453,447	462,942

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


The Hospital's financial statements were approved by the Board on 29/9/2023 and signed on its behalf by:


.....

**Chairman
Board of Management**


.....

**Head of Finance
ICPAK No:**


.....

Medical Superintendent

Sondu Level iv Sub County Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

16. Statement of Changes in Net Asset for The Year Ended 30 June 2023

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2022	0	0	0	0
Revaluation gain	0	0	0	0
Surplus/(deficit) for the year	0	0	0	0
Capital/Development grants	0	0	0	0
As at June 30, 2022	0	0	0	0
At July 1, 2023	0	0	0	0
Revaluation gain	0	0	0	0
Surplus/(deficit) for the year	0	0	0	0
Capital/Development grants	0	0	0	0
At June 30, 2023	0	0	0	0

17. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		769,860	1,832,349
Grants from donors and development partners		0	0
Transfers from other Government entities		0	0
Public contributions and donations		0	0
Rendering of services- Medical Service Income		178,211	83,740
Revenue from rent of facilities		0	0
Finance / interest income		0	0
Miscellaneous receipts(<i>specify</i>)		300,000	0
Total Receipts		1,248,071	1,916,089
Payments			
Medical/Clinical costs		555,787	1,047,457
Employee costs		308,000	788,000
Board of Management Expenses		23,500	75,000
Grants and subsidies		0	
Maintainance & Repairs		30,000	155,000
Finance cost		0	
General expenses		173,500	473,648
Refunds paid out			
Total Payments		1,090,787	2,539,105
Net cash flows from operating activities	42		
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets		0	0
Proceeds from the sale of property, plant, and equipment		0	0
Acquisition of investments		0	0
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		0	0
Repayment of borrowings		0	0
Capital grants received		0	0

*Sondu Level iv Sub County Hospital (Kisumu County Government)
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Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		(142,716)	(623,016)
Cash and cash equivalents as at 1 July	27	462,942	
Cash and cash equivalents as at 30 June	27	153,447	462,942

*Level iv County Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

18. Notes to the Financial Statements

1. General Information

SSCH is established by and derives its authority and accountability from Facility Improvement Fund (FIF) Act, 2021. The SSCH is wholly owned by the Kisumu County Government and is domiciled in Kisumu County in Kenya. The SSCH's principal activity is to provide universal healthcare

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

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

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 SSCH'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 SSCH'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 SSCH 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> <p>(a) The nature of such social benefits provided by the SSCH.</p>

*Sondu SubCounty Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

Standard	Effective date and impact
	<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 SSCH'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 SSCH.</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> <ul style="list-style-type: none"> 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: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

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

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 SSCH 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 SSCH 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 SSCH.

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 xxx was approved by Board 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 SSCH upon receiving the respective approvals in order to conclude the final budget. Accordingly, the SSCH recorded additional appropriations of ~~xxxx~~ on the FY xxx budget following the Board's approval. The SSCH'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.

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 5 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 SSCH 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 SSCH. 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 SSCH 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 SSCH 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 SSCH. 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 SSCH expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the SSCH 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

A financial instrument is any contract that gives rise to a financial asset of one SSCH and a financial liability or equity instrument of another SSCH. At initial recognition, the SSCH 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.

Financial assets

Classification of financial assets

The SSCH 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 SSCH'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 SSCH 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 SSCH 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 SSCH 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 SSCH 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 SSCH 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 SSCH 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 SSCH.

k. Provisions

Provisions are recognized when the SSCH 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 SSCH 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 SSCH 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 SSCH will incur in fulfilling the present obligations represented by the liability.

m. Contingent liabilities

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

p. Changes in accounting policies and estimates

The SSCH 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 SSCH provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an SSCH pays fixed contributions into a separate SSCH (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 SSCH regards a related party as a person or an SSCH with the ability to exert control individually or jointly, or to exercise significant influence over the SSCH, 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 SSCH 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 SSCH 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 SSCH 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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the SSCH'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 SSCH 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 SSCH. 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 SSCH.
- 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.

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Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2022/2023	2021/2022
	KShs	KShs
Unconditional grants		
Operational grant	769,860	1,832,349
Level 5 grants	0	
Unconditional development grants	0	
Other grants	0	
	0	
Conditional grants		
User fee forgone	0	
Transforming health services for Universal care project (THUCP)	0	
DANIDA	0	
Wards Development grant	0	
Paediatric block grant	0	
Administration block grant	0	
Laboratory grant	0	
Total government grants and subsidies	769,860	1,832,349

6 b Transfers from The County Government

Name of the SSGH sending the grant	Amount recognized in 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
Kisumu County Government	769,860	0	0	0	1,832,349
Total	769,860	0	0	0	1,832,349

Notes to Financial Statements Continued

7. Rendering of Services-Medical Service Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Pharmaceuticals		83,740
Non-Pharmaceuticals	42,741	0
Laboratory	133,840	0
Medical examination	850	0
Outpatient	780	0
Total revenue from the rendering of services	178,211	83,740

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Notes to the Financial Statements (Continued)

8. Medical/ Clinical Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Laboratory chemicals and reagents	34,900	40,000
Food and Ration	147,300	152,000
Uniform, clothing, and linen	0	0
Dressing and Non-Pharmaceuticals	86,900	30,000
Pharmaceutical supplies	210,937	710,457
Health information stationery	50,000	50,000
Sanitary and cleansing Materials	25,750	65,000
Total medical/ clinical costs	555,787	1,047,457

9. Employee Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries, wages, and allowances	308,000	788,000
Employee costs	308,000	788,000

Notes to the Financial Statements (Continued)

10. Board of Management Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Sitting allowance	23,500	75,000
Total	23,500	75,000

11. Repairs And Maintenance

Description	2022/2023	2021/2022
	Kshs	Kshs
Property- Buildings	30,000	155,000
Total repairs and maintenance	30,000	155,000

12. General Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Advertising and publicity expenses		
Catering expenses		
Waste management expenses		
Insecticides and rodenticides		
Audit fees		
Bank charges		756
Conferences and delegations		
Catering services		95,000
Contracted services		
Electricity expenses	70,000	146,000
Fuel and Lubricants		25,000
Insurance		
Research and development expenses		
Travel and accommodation allowance	15,000	72,000
Legal expenses		
Refined fuel for generator	34,000	
Courier and postal services		
Printing and stationery		
General Office Supplies	30,000	65,000
Other Fuels		20,000

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Description	2022/2023	2021/2022
	Kshs	Kshs
Water and sewerage costs	16,000	27,000
Telephone and mobile phone services	8,500	22,892
Total General Expenses	173,500	473,648

Notes to the Financial Statements (Continued)

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

Description	Account number	2022/2023	2021/2022
		KShs	KShs
a) Current account			
Kenya Commercial bank	1108278019	153,447	462,942
Sub- total			
Grand total		153,447	462,942

13. Receivables From Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Medical services receivables- NHIF	0	0
Rent receivables		
Other exchange debtors		
Less: impairment allowance		
Total receivables	0	0

Analysis of Receivables From Exchange Transactions

Description	2022/2023		2021/2022	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year		%	xxx	%
Between 1- 2 years		%	xxx	%
Between 2-3 years		%	xxx	%
Over 3 years		%	xxx	%
Total (a+b)		%	xxx	%

14. Receivables From Non-Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Transfers from the County Government	300,000	
Undisbursed donor funds		
Other debtors (<i>non-exchange transactions</i>)		

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Less: impairment allowance		
Total	300,000	

Analysis of Receivables From Non-Exchange Transactions

Description	2022/2023		2021/2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	xxx	%	xxx	%
Between 1- 2 years	xxx	%	xxx	%
Between 2-3 years	xxx	%	xxx	%
Over 3 years	xxx	%	xxx	%
Total (a+b)	xxx	%	xxx	%

15. 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)

16. 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
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2022	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0	0	0	0
At 30th Jun 2022	0	0	0	0	0	0	0	0
At 1 July 2023	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0	0	0	0
At 30th Jun 2023	0	0	0	0	0	0	0	0
Depreciation and impairment								
At 1 July 2022		0	0	0	0	0	0	0
Depreciation for the year		0	0	0	0	0	0	0
Disposals		0	0	0	0	0	0	0
Impairment		0	0	0	0	0	0	0
At 30 June 2022		0	0	0	0	0	0	0

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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
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At July 2023		0	0	0	0	0	0	0
Depreciation		0	0	0	0	0	0	0
Disposals		0	0	0	0	0	0	0
Impairment		0	0	0	0	0	0	0
Transfer/adjustment		0	0	0	0	0	0	0
At 30th June 2023		0	0	0	0	0	0	0
Net book values								
At 30 th Jun 2022		0	0	0	0	0	0	0
At 30 th Jun 2023		0	0	0	0	0	0	0

Notes to the Financial Statements (Continued)

17. Financial Risk Management

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

(i) Credit risk

The SSCH 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.

Events after the Reporting Period

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

18. Ultimate and Holding SSCH

The SSCH is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of . Its ultimate parent is the County Government of Kisumu.

19. Currency

The financial statements are presented in Kenya Shillings (Kshs) and all values are rounded off to the nearest shilling.

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19. 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 SSCH responsible for the implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

.....*L. V. K. K.*.....
Accounting Officer

Sondu SubCounty Level 4 Hospital (Kisumu County Government)
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Appendix II: Projects Implemented by The SSCH

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Date	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-SSCH Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary SSCH]
[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 20XX 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 *[Insert name of beneficiary SSCH]* as at 30th June 20XX

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 20XX				Amount Received by [beneficiary SSCH] (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 SSCH:

Name *[Signature]* Sign *[Signature]* Date *29/9/2023*

ACCOUNTANT
 DEPARTMENT OF HEALTH & SANITATION
 P.O. BOX 721 - 40100,
 KISUMU

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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		

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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	Annual (Kshs.)	Comments