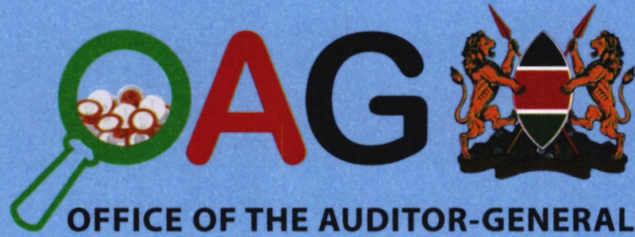


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

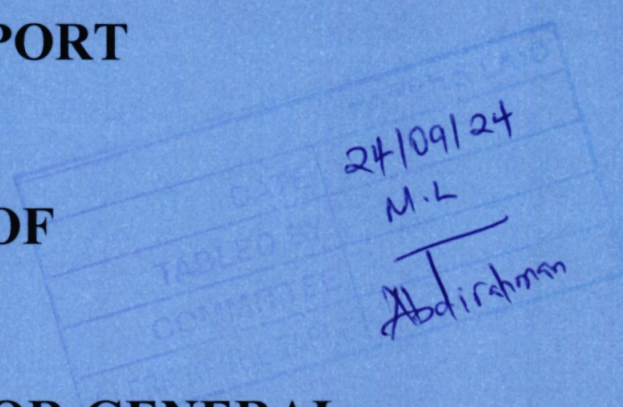
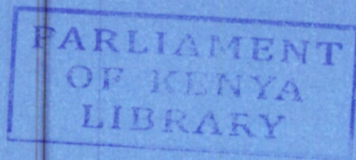
THE AUDITOR-GENERAL

ON

KANDIEGE LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF HOMA BAY





Kandiego Level 4 HOSPITAL (Homabay County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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



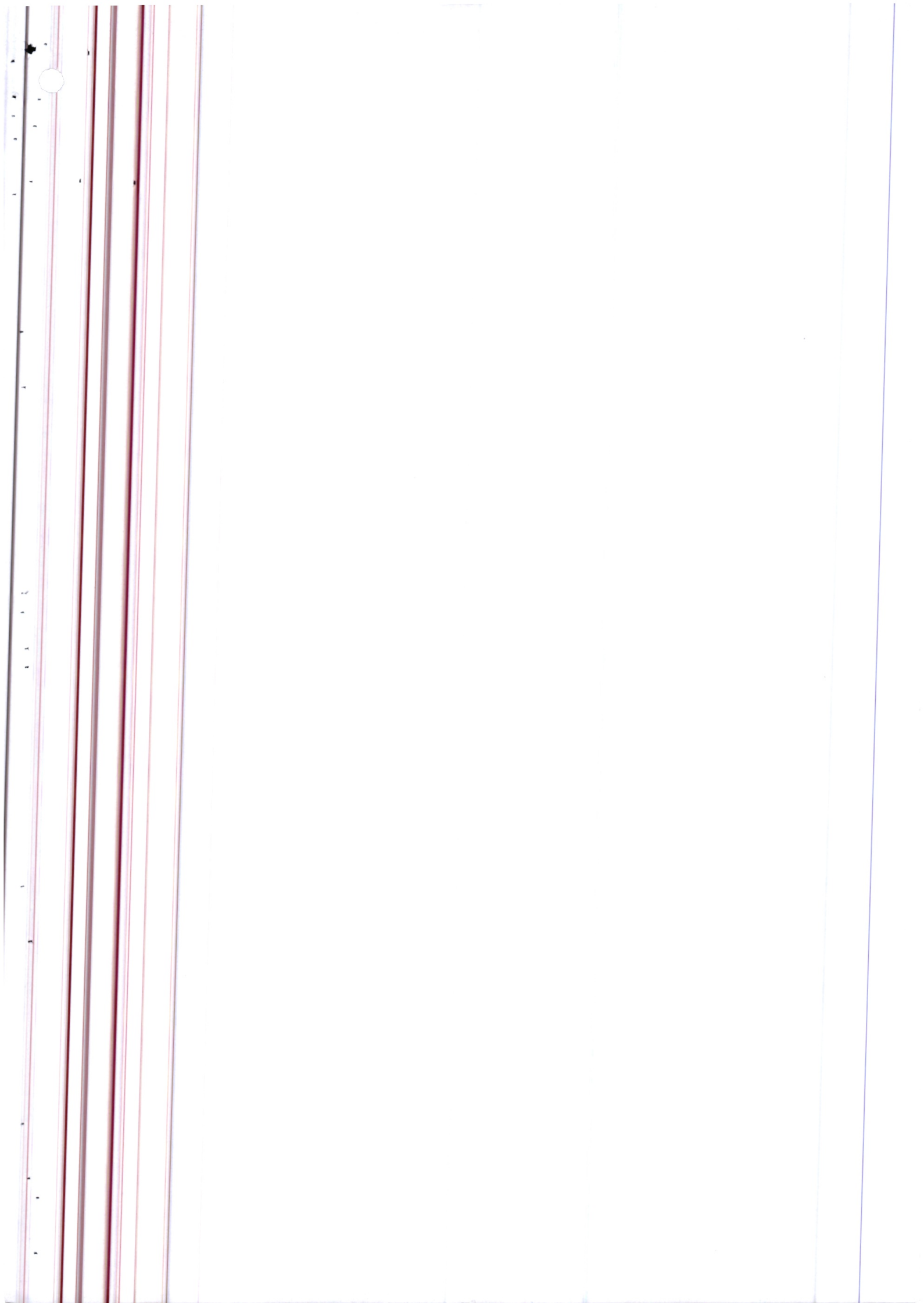


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1. Acronyms & Glossary of Terms

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 entity.
CO i/c	Clinical Officer In-charge
PHO i/c	Public Health Officer In-charge
RCO i/c	Registered Clinical Officer In-charge
HMT	Hospital Management Team
NO i/c	Nursing Officer In-charge
ALOS	Average Length of Stay
HRIO	Health Records & Information Officer

2. Key Entity Information and Management

(a) Background information

Kandiego Hospital is a level (4) hospital established under gazette notice number 786 and is domiciled in Homabay County under the public health and medical services Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activities of the entity are to:

- i. Provide affordable and accessible universal health coverage
- ii. To modernize infrastructure, machinery and equipment
- iii. To attain financial sustainability
- iv. To strengthen human resource capability
- v. To develop facility health management information system

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management

(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 Officer of Health	Dr. Odhiambo Felix Bob
2.	Health Administrative Officer	Mrs. Vivian Amadi
3.	Clinical Officer In-charge	Mr. Dynamight Adede

(e) Fiduciary Oversight Arrangements

Increasingly, hospitals and health systems, along with the individuals serving on their committees and governing boards, are seeing the need for prudent oversight of their organizations. Due to a rising number of lawsuits, trustees need to ensure that their organizations are taking proactive steps to protect their organizations and themselves. Kandiego Level 4 Hospital, being a government entity has formed various committees to ensure robust fiduciary oversight.

i. Quality Improvement Team

Quality Improvement Team (QIT) is a team taking lead to implement quality improvement activities. Group of multi skilled employee charged with responsibilities of improving processes or services. The team include top and middle management members to coordinate initial planning and implementation.

The members include;

Mr Dynamight Adede (RCO I/C)- Chairperson
Mr Collins Kisakwa (Laboratory Manager)- Secretary
Mrs Stella Moraa (Nursing Officer In Charge)
Mr Lilian Rapemo (Pharm Tech)
Mr Okuthe Aneya (Deputy Administrator)
Mr Adidi Benard - (Nutritionist)
Mr Allan Odhiambo (Medical Social worker)

ii. Emergency Response Team

Hospital Emergency Response Teams (HERT) is comprised of multi disciplines and specialties that activate and respond during emergencies. The team is responsible for Security of the hospital facility and grounds. Registration, patient tracking, triage, treatment, decontamination, detection & monitoring and movement of patients into the facility or on to other definitive medical care. The members are;

Mr Dynamight Adede (RCO I/C) – Chairperson
Mrs Stella Moraa (DNS) – Secretary
Mrs Lilian Rapemo (Pharm tech)
Mrs Everylin Marire (Nurse)
Mrs VivianAmadi (Hospital Administrator)
Mr Joseph Abich (Triage assistant)
Mrs Lydia Aoko (Clerk, Reception)

iii. Maternal and Perinatal Death and Surveillance Response (MPDSR)

MPDSR is a committee that ensures that deaths of mothers or babies during pregnancy, childbirth and post-natal period are notified, information is collected, causes reviewed and responses identified to prevent unnecessary deaths in future. The members are;

Mr Dynamight Adede (RCO I/C) – Chairperson
Mrs Stella Moraa (Nursing Officer In-Charge) – Secretary
Mrs Lydia Mogaka (Nurse)
Mr Charles Amolo (HRIO)
Mr Okinyi Kisakwa (Lab Manager)
Mrs Rollin Okumu (Nurse)
Mrs Lilian Rapemo (Pharm Tech)

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O Box 4-40304, KANDIEGE
Kandiege Level 4 Hospital Building
Homa Bay Kisumu Road
Kandiege, Kenya

(g) Entity Contacts

Telephone: +254781107472
E-mail: kandiegehosp@gmail.com

(h) Entity Bankers

Kenya Commercial Bank
Homabay Branch

(i) Independent Auditors

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

(j) Principal Legal Adviser

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





(k) County Attorney

P.O. Box. 469
Homabay, Kenya

3. The Board of Management

Ref	Directors	Details
1.	Mr Jactone Ogwenya Board Chairperson	He is an independent director and an ex-officio member of Curative and Finance and General-Purpose Committees of the Board.
2.	Mr Shadrack Malit	Financial expert and chair of the Finance and General-Purpose Committee
3.	Mr Charles Onyango	Seasoned administrator spanning many years in the public service. He is currently the Sub County administrator, Rachuonyo North Sub County
4.	Mrs Rosebella Mboya	Member of the Board representing faith-based organizations
5.	Mrs Caroline Okeyo	Member of the board representing women
6.	Mr Ojuka Kitoi	A seasoned administrator who has served in two consecutive boards of the hospital.
7.	Mr John Origa	Board member representing the political class
8.	Mr Dynamight Adede Secretary	Facility in charge

4. Key Management Team

Ref.	Management	Details
1.	 Mr. Dynamight Adede Diploma in Clinical Medicine and Surgery 8 years' experience Manager 1	Facility In-charge
2.	 Mrs Stella Moraa Bachelor of Science in Nursing 11 years' experience	Nursing Officer In-charge
3.	 Mrs. Vivian Amadi Certified in Leadership Management & Governance for Health Systems 11 Years experience	Health Administrative Officer
4.	 Fredrick Charly Diploma In Accountancy 9 Years Experience	Accountant

5. Chairman's Statement

It is my pleasure to present to you the Annual Report and Financial Statements of Kandiego Level 4 Hospital for the year ended 30 June 2022. The Board of Management is proud of the achievements realized by the hospital in this period towards "Offering high quality and integrated medical care services that are affordable and accessible". Considering the scale and complexity of operational environment in Homa Bay County, I am particularly impressed by the "can do attitude" of staff coupled with their commitment to delivering the best possible service to patients.

Regulatory Environment

Management and operations of the hospital is guided by the existing legal, policy, and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the Hospital. The Kenyan Constitution 2010 under the Bill of Rights provides the right to the highest attainable standard of health including reproductive health care and emergency medical treatment.

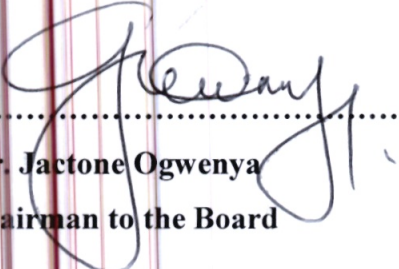
In addition, the Health Act 2016 establishes a unified health system that coordinates the inter-relationship between the national government and county government health systems, provides for regulation of health care services and health care service providers, health products and health technologies for connected purposes. It also provides for Health financing; Research; E-Health; Human organs and tissue transplant; Traditional and alternative medicine; Mental; Environmental and Public health; Standards of health; Reproductive health; and Emergency treatment. With this in mind, and the strategic placement of Kandiego Level 4 Hospital in the health sector, the Board is committed to ensure continued quality service delivery to the citizens.

Sector Alignment

At the National level, universal healthcare (UHC) is one of the big four agenda. The agenda aims to provide affordable healthcare for all households through NHIF scheme. The Kenya Vision 2030 aims at creating a globally competitive and prosperous country by providing a high quality of life for all its citizens. Under the social pillar, the overall goal of the Health Sector is to provide equitable, affordable and quality healthcare to all citizens.

Acknowledgement

On behalf of the Board, I would like to thank all our stakeholders especially the County Government of Homa Bay, Ministry of Health, National Hospital Insurance Fund and development partners for the support they continue to accord the hospital without which our achievements would not have been realized. As we move into a new year, I would like to express my gratitude to Kandiego Level 4 Hospital staff, specialists, team leaders and the Board, who take such pride in their work, and who exemplify our hospital's mission and values each day. Finally, I strongly believe that our strategy and the staff in place will consistently drive our growth in the future, as has been the case over the years.



.....
Mr. Jactone Ogwenya
Chairman to the Board

6. Report of The Medical Superintendent

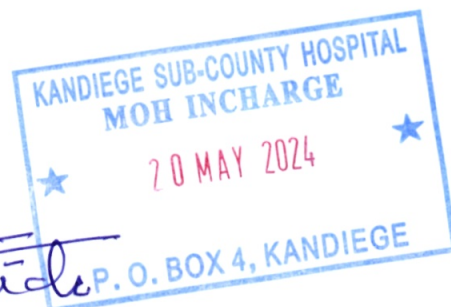
I am pleased to present the Hospital's annual report and financial statements for the year ended 2021/2022. The report highlights the hospitals operational and financial performance as well as our strategic direction.

Operational Performance

The hospital provides specialized healthcare services. To meet our patients' needs, we have specialists of medical practice who ensure our customers receive safe, timely, equitable, efficient, effective and patient-cantered services. In the period under review the hospital attended to 3,360 patients of whom 1,630 were inpatients. This was an increase of 13% outpatients and 16% inpatients attendance in comparison to the previous periods. During the year, the clinical team successfully demonstrated clinical effectiveness by reduction of mortality rate.

Financial Review

In order to meet the cost of operations and maintenance, the hospital relies on internally generated revenue, the largest component being cost-sharing revenue. During the period under review, the hospital generated Kshs. 7,819,449 million inclusive of in-kind receipts against a target of Kshs. 8,254,500 million. This is an increment of 8.8% above the previous year's internally generated revenue.



.....
Mr. Dynamight Adede
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

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

Key Objectives

The overall objective is improved clinical outcomes, satisfied clients, learning, growth and development. This will be achieved only if the Hospital is able to: -

1) Enhance access to quality services commensurate with the level and expectations of the coverage population by; -

(a) Improving essential and emergency medical services, medical laboratory and imaging diagnostic services including specialist pathology services,

(b) Expanding and ensuring equitable access by all clients by anticipating and planning for the marginalized ('ignored'), indigent and vulnerable

- Advocating for registration with the NHIF
- Providing fee exemptions and improving the waiver system
- Providing outreach services
- Providing cohort friendly service packages e.g. for the Adolescents, Youth, Elderly, Men, Commercial Sex Workers etc.

2) Improve human resource capacity (adequacy), effectiveness (knowledge and skills), motivation and satisfaction.

a) Human Resource is indispensable in the provision of Healthcare Services

b) There's need to investment in identification for recruitment and training to match staff establishment requirements and skills' mix with current and projected coverage population needs.

3) Improve financial resources collection, mobilization, risk management and accountability

a) The hospital must exploit its full potential with regards to insured clients in the coverage population including but not limited to the NHIF comprehensive Scheme, the NHIF EduAfya, the NHIF Universal Coverage

b) The hospital must assess and mitigate the risk of revenue loss through willful negligence, laxity, corrupt practices and theft.

- c) The Hospital must strengthen existing systems that enhance access without inherent revenue reduction e.g. subsidized services and commodities, waiver system.
- d) The hospital must make every effort to aggressively market its strengths and exploit its opportunities
- 4) Improve consumables (pharmaceuticals, non-pharmaceuticals, supplies and other materials) availability and security
 - a) The critical and indispensable role health commodities play in the outcomes of health processes MUST always be recognized and prioritized for investment and resource allocation.
 - b) While it is accurate to consider healthcare a service industry, it is unreasonable to expect any positive results or outcomes without the input of requisite appropriate, affordable and quality health commodities
 - c) It will be necessary to forecast the required quantities of all essential health commodities relevant to the needs of the Hospital's coverage population
 - d) There's need to provide adequate and appropriate space for the storage and security of the commodities
 - e) There's need to supplement the supplies procured by the County Government by establishing own source revenue.
 - f) The authority of hospital managers should be increased and hospital tender committees created and empowered to enable us to purchase goods more efficiently and responsively.
 - g) Spending bands should be widened, and modern systems and managerial skills developed to increase the hospital procurement capacity.
 - h) If the hospital has the capacity and is in a position to comply with the requisite financial regulations we will in time, be able to decide whether to procure on our own, through government and other agencies
- 5) Improve infrastructural development and equipment and medical devices availability, maintenance and security
 - a) This relates to the built environment, in-patient beds, furniture, equipment and machines, transport and technology (ICT) required for effective delivery of health services.
 - b) It is a fundamental pillar in the improvement of client experience and outcomes
 - c) Infrastructure must be designed, chosen, placed and maintained to ensure, Client safety, Efficiency and effectiveness, Sustainability and Equity and Accessibility.

- d) There's need to ensure all critical and capital-intensive equipment are under service contracts and that preventive and / or routine maintenance of the same is the rule and is carried out as indicated in a plan.
- e) As much as possible, mutually beneficial comprehensive placement agreements will be encouraged to broaden the range of service availability, to reduce client inconvenience and to facilitate better service delivery and outcomes
- 6) Improve on health and financial information systems automation, integration, transparency and application. Improve care through technology.
 - a) A health information system (HIS) is a system that integrates data collection, processing, reporting, and use of the information necessary for improving health service effectiveness and efficiency through better management at all levels of health services.
 - b) It is a way of collecting, storing, managing and transmitting (reporting) data including, Clients' electronic medical records (EMR), Hospital's operational (HR< Finance, Procurement) management
 - c) When functioning well, the HIS facilitates planning, monitoring, and the overall quality assurance and improvement
- 7) Foster a visionary governance and competent committed leadership
 - a) Good governance and effective leadership are considered core components of a resilient health system
 - b) Good governance ensures evidence-based policy making resulting in Efficient and effective service provision and management systems, Transparency with checks and balances and Accountability
 - c) There's need to promote and lobby for leadership with demonstrable willingness to take ownership and stewardship of the hospital and to continually do what is best for the same.
- 8) Foster and expand partnerships, collaboration and social responsibility, The overriding goal is to achieve better outcomes through either one or a combination of, raising awareness about unmet needs, Provision of resources (Finances, HR, Consumables, Equipment, Plant and Machinery, Provision of joint platforms for coordination, monitoring and evaluation, Tapping into each other's unique but complementary expertise, Research and learning

- 9) Foster learning, change and improvement culture in the Hospital through improved stakeholder participation and feedback management, research and innovation.
- a) Strengthen and expand partnership and collaboration with training institutions including but not limited to the Kenya Medical Training College, Medical training universities and colleges, AMREF International University and the Kenya School of Government.
 - b) Strengthen and expand partnership and collaboration with research institutions including the Kenya Medical Research Institute and other institutions of higher learning
 - c) Institutionalize and strengthen continuous professional development
 - d) Institutionalize and invest in operational research initiatives
 - e) Facilitate continuous client feedback management

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

	Strategic Theme	Strategic Result
1	Managerial and Operational Excellence	Seamless, effective and timely service delivery and efficient Utilization of resources
2	Professional in clinical services	Improved quality healthcare services

8. Corporate Governance Statement

The Kandiego Level 4 Hospital Board of management have responsibilities, Functions, structures and ethical conduct. In addition to this, their major priority is ensuring excellent service delivery to patients.

Appointment and Induction of Board Members

Appointment of Board members is as prescribed under the County Government's finance Bill, 2012.

Role of the Board

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

Board Meetings Attendance

In the financial year ended 2021/2022, Board meetings held were strictly as per the Board Almanac for committees and full Board. There were no special meetings.

Board Committees

- a) Finance and General-Purpose committee
- b) Quality and curative committee

Conflict of interest

Declaration of conflict of interest is a standing agenda in all meetings of the Board and its committees.

9. Management Discussion and Analysis

The management used tables to make the information as understandable as possible. The information does show a comparative figure for the previous years because this is the second time the management is preparing a financial statement.

Clinical Performance

Kandiego Level 4 Hospital continues to provide a wide range of highly specialized healthcare services to Kenyans and patients from Homabay County and across the counties. Specialized services include specialized outpatient clinics and inpatient care amongst other services. The hospital also provides clinical support services that include laboratory and pharmacy.

Overall patient attendance

The average patient attendance for the financial year was 1,730 outpatients and 1,630 inpatients. There was a sharp increase in outpatient attendance of 16% and 13% in the inpatients in the fiscal year. This was attributed to the effect of the consistent medical supplies.

Average Length of Stay

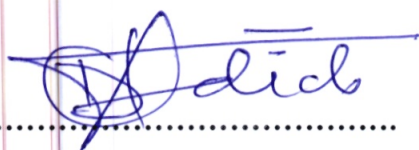
The average length of stay (ALOS) is an indicator of efficiency in the provision of inpatient health care in the hospital. Generally, the average length of stay in the hospital has been falling.

Bed occupancy rate.

For financial year ended 2022/23, the bed occupancy rate averaged 92%. This was attributed to the specialized and quality healthcare services offered in the hospital that attract clients from across the region and beyond. The other side of this is the overstretching of the hospital facilities and the congestion of patients in the wards. Notably, there was a decline in the quarter under review due to inconsistent medical supplies in the hospital.

Mortality Rate

During the period under review, the death rate averaged 8%. This is attributed to the critically ill patients referred to and managed in the hospital.



.....
Dynamight Adede

Secretary to the Board

10. Environmental And Sustainability Reporting

Kandiego Level 4 Hospital exists to transform lives. It is 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 organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The top management especially the accounting officer refers to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

The organization has environmental policy in the county environment department guiding the facility. The hospital also manages its waste within the facility through public health in collaboration with the department of environment and transports others to Suba Sub County Hospital for incineration.

iii) Employee welfare

The hospital implements policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. It also ensures that employees are supported in improving skills and managing careers, appraisal, and reward systems. The organisation has in place policy on safety and compliance with the Occupational Safety and Health Act of 2007, (OSHA.)

iv) Market place practices-

a) Responsible competition practice.

The organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors by competitively awarding contract.

b) Responsible Supply chain and supplier relations

The management maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

The hospital maintains ethical marketing practices.

v) Policy guiding hiring process

Every department prepares Human Resource Plans to support achievement of goals and objectives in their strategic plans. The plans are based on comprehensive job analysis and are reviewed every year to address emerging issues and staffing needs.

On the basis of these Human resource plans, departments develop annual recruitment plans which is forwarded to the County Public Service Board at the beginning of each financial year to enable it plan to fill vacancies. Departments through the County Public Service Board will advertise all vacant posts in a manner that reaches the widest pool of potential applicants.

Recruitment is undertaken on the basis of fair competition and merit, representation of Kenyans diverse communities, adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities.

vi) Efforts made in improving skills and managing careers

Training and capacity building in the County's Public Service is key towards improving skills and managing career progression. Training Needs Assessment is a performance audit that generates and provides information to assess the inadequacy of knowledge and skills which inhibits an organisation from attaining its objectives.

Training in the County's Public Service is based on Training Needs Assessment which are conducted in each department. Departments are required to prepare training projections based on Training Needs Assessment to guide in the nomination of officers for training.

Selection of trainees for all training programmes are based on identified needs and normally emphasises on training for performance improvement. Training programmes comprise both short- and long-term courses in specific professions that are intended to impart required knowledge, skills and attitudes to enhance staff performance.

The County continually develops its employee's professional knowledge and skills and encourage them to join relevant professional bodies. The County establishes mechanisms for supporting employees where the career guidelines require them to be members of a professional body.

For new staff who have joined the County, Induction Training is expected to help them familiarise with the work environment and requirements. Departments are expected to conduct induction training within three (3) months for newly recruited officers and those joining the departments on transfers, promotions and re-designation.

vii) Appraisal and reward system

Staff Performance Appraisal System is predicated upon the principles of work planning, setting of agreed performance targets, feedback and reporting. Appraisal systems is also linked to other human resource systems and processes including staff development, career progression, placement, rewards and sanctions.

Prior to the beginning of the performance appraisal period, departments prepare work plans based on their strategic plans. The departments work plans include the departmental priorities objectives from which individual performance targets will be derived.

Employee's individual work plans will be derived from the departmental work plans and officers job description. The appraisals period covers one (1) year starting 1st July to 30th June of the following year. The performance appraisal reflects the summation of the year's performance including quarterly and mid-year reviews.

viii) Reward System

Exemplary performance is rewarded through incentives, promotions, recognition of major improvements, training.

ix) Policy on safety and compliance with occupational safety and health Act of 2007, (OSHA)

Employees are protected from accidents and occupational hazards arising at the work place. Measures to prevent and mitigate against accidents at work place, explosions, fire, floods, earthquakes, both threats. Through provision of First aid kits, fire protection, firefighting and demonstration, providing fire assembly areas, emergency preparedness in such events.

- Fire protection and protection in buildings
- No hazardous or highly inflammable materials should be stored in buildings
- Firefighting equipment should be placed in strategic places
- Provision of protective equipment and clothing
- Medical examination
- Compensation of officers in case of injury at work

x) Corporate Social Responsibility / Community Engagements

The hospital management has from time to time provided waiver to patients who are not able to pay hospital bills based on investigations and report done by social services department as stated in the waiver policy.

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, 2022, which show the state of the Kandiego Level 4 Hospital affairs.

Principal activities

The principal activities of the entity are (continue to be)

- i. Provide affordable and accessible universal health coverage
- ii. To modernize infrastructure, machinery and equipment
- iii. To attain financial sustainability
- iv. To strengthen human resource capability
- v. To develop facility health management information system

Results

The results of the entity for the year ended June 30 2022 are set out on pages 1- 33

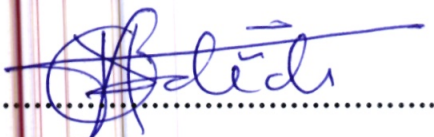
Board of Management

The members of the Board who served during the year are shown on page vi. During the year, no board member retired/ resigned, and no member was appointed.

Auditors

The Auditor General is responsible for the statutory audit of the Kandiego Level 4 Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 nominated by the Auditor General to carry out the audit of the Kandiego Level 4 Hospital for the year ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Dynamight Adede

Secretary to the Board

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 Kandiego Level 4 Hospital, which give a true and fair view of the state of affairs of the Kandiego Level 4 Hospital at the end of the financial year and the operating results of the Kandiego Level 4 Hospital for that year. The Board of Management is also required to ensure that the Kandiego Level 4 Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Kandiego Level 4 Hospital. The council members are also responsible for safeguarding the assets of the Kandiego Level 4 Hospital.

The Board of Management is responsible for the preparation and presentation of the Kandiego Level 4 Hospital financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.


The Board of Management accepts responsibility for the hospitals' 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 hospital's financial statements give a true and fair view of the state of Kandiego Level 4 Hospital transactions during the financial year ended June 30, 2022, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

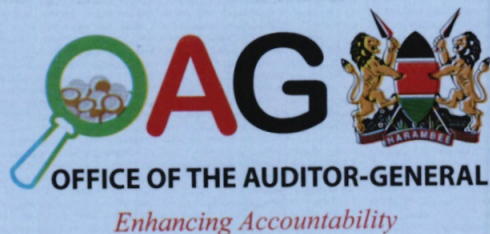
The Hospital's financial statements were approved by the Board on 20th MAY 2024 and signed on its behalf by:


.....
Jactone Ogwenya
Chairperson
Board of Management


.....
Mr. Dynamight Adede
Accounting Officer

REPUBLIC OF KENYA

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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 KANDIEGE LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – HOMA BAY COUNTY GOVERNMENT

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 the Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kandiege Level 4 Hospital set out on pages 1 to 34, which comprise the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kandiege Level 4 Hospital 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 comply with the Public Finance Management Act, 2012, County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.77,800 as disclosed in Note 18 to the financial statements. However, the supporting schedule indicating the description of assets, their location and values were not provided for audit.

Further, the ownership documents for land were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.77,800 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kandiege Level 4 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion, I confirm that

nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Presentation of the Financial Statements

The financial statements presented for audit did not include all information as required in the format prescribed by the Public Sector Accounting Standards Board (PSASB) financial statement reporting template as highlighted below;

- i. The Board of Management table at page vi did not include members' passport size photos, age key qualification and work experience and whether the secretary is a member of ICS as required under Mwongozo code.
- ii. The financial statements have not been signed by any officer who has ICPAK registration number as required.
- iii. No Trial balance to confirm the financial statements figures balances.
- iv. Notes 14 and 15 have been omitted.

In the circumstances, Management did not include all information as required in the format prescribed by the Public Sector Accounting Standards Board (PSASB) financial statement reporting template.

2. Identification, Collection and Accounting of Own Generated Revenue

2.1 Failure to Transfer Revenue to the County Revenue

The statement of financial performance reflects rendering services- medical services income of Kshs.370,335 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.

2.2 Lack of Quarterly Revenue Reports

The statement of financial performance reflects Kshs.370,335 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.

3. Failure to Maintain Fixed Asset Register

The statement of financial position reflects a balance of Kshs.77,800 in respect to property, plant and equipment as disclosed in Note 18 to the financial statements. 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 Hospital has ever evaluated its assets to ascertain the correct market values.

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

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 96 staff requirements or 97% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical officers	16	0	16	100
Anaesthesiologists	2	0	2	100
General surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Paediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	5	70	93
Total	101	5	96	97

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

Service	Level Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	50	100	67
Resuscitaire (2 In Labor & 1 In Theatre)	3	0	3	100
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	0	5	100

Service	Level Hospital Standard	Actuals in the Hospital	Variance	Percentage %
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.

5. Irregular Engagement of Casual Workers

The statement of financial performance reflects casuals and contractual staff amount of Kshs.960,600 as disclosed in Note 10 to the financial statements. It was noted that Management engaged casual workers for more than three months. This was contrary to the County Public Service Human Resource Manual, May 2013 Section B. 16(1) which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act (2007).

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Audit Committees and Internal Audit Unit

Review of documents and processes revealed the Kandiege Level 4 Hospital did not have an audit committee or internal audit functions. This is contrary to Section 155(1) of the Public Finance Management Act, 2012.

In the circumstances, the effectiveness of the overall internal control system and risk management by the Hospital could not be confirmed.

2. Lack of Risk Management Policy

During the year under review, the Hospital did not have a Risk or Disaster Management Policy in place contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that a County Government entity develops risk management strategies, which include fraud prevention mechanism; and that the County government entity develops a system of risk management and internal controls that build robust business operations.

In the circumstances, it was not possible to confirm the effectiveness of the internal controls, risk management and governance of hospital.

3. Lack of a Gazzeted Hospital Management Committee

During the year under review, the Hospital operated without a gazzeted Hospital management committee. Therefore, functions such as approving plans, programs, estimates and any other functions assigned by the County Government were either not undertaken or were done by the Hospital management team.

In the circumstances, the effectiveness of the internal controls, risk management and governance in the hospital during the year under review could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 the Management and 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 the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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 controls would not necessarily disclose all matters in the internal controls that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 June, 2024

Kandiego Level 4 Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

Description	Note	2021-2022
		Kshs
Revenue from non-exchange transactions		
In-kind contributions from the County Government	6	1,000,374
		1,000,374
Revenue from exchange transactions		
Rendering of services- Medical Service Income	7	370,335
Miscellaneous Income	8	6,448,740
		6,819,075
Total revenue		7,819,449
Expenses		
Medical/Clinical costs	9	2,725,931
Employee costs	10	960,600
Board of Management Expenses	11	111,000
Depreciation and amortization expense	12	14,200
Repairs and maintenance	13	730,755
General expenses	14	1,173,585
Total expenses		5,716,071
Net Surplus / (Deficit) for the year		2,103,378

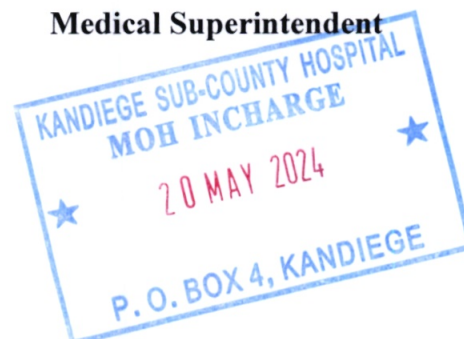
The notes set out on pages 1 to 33 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 20th May, 2024 and signed on its behalf by:

.....
Chairman
Board of Management

.....
Head of Finance
ICPAK No:

.....
Medical Superintendent



Kandiego Level 4 Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

15. Statement of Financial Position As At 30th June 2022


Description	Note	2021-2022
		Kshs
Assets		
Current assets		
Cash and cash equivalents	15	418,252
Receivables from exchange transactions	16	1,025,000
Inventories	17	1,138,174
Total Current Assets		2,581,426
Non-current assets		
Property, plant, and equipment	18	77,800
Total Non-current Assets		77,800
Total assets		2,659,226
Liabilities		
Current liabilities		
Trade and other payables	19	310,000
Total Current Liabilities		310,000
Total Liabilities		310,000
Net assets		
Accumulated surplus/Deficit		2,271,426
Capital Fund		77,800
		2,349,226
Total Net Assets and Liabilities		2,659,226

The notes set out on pages 1 to 33 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 20th MAY 2024 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:



Medical Superintendent


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


Description	Accumulated surplus/Deficit	Capital Fund	Total
At July 1, 2021	168,048		168,048
Surplus/(deficit) for the year	2,103,378		2,103,378
Capital/Development grants	-	77,800	77,800
At June 30, 2022	2,271,426	77,800	2,349,226

The notes set out on pages 1 to 33 form an integral part of the Annual Financial Statements.

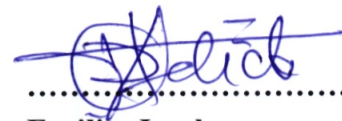
The Hospital's financial statements were approved by the Board on 20th MAY 2024 and signed on its behalf by:



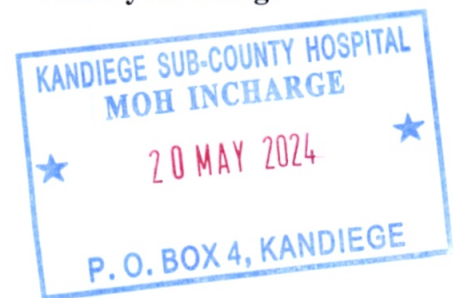
Chairperson
Board of Management



Accountant



Facility In-charge




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

Description	Note	2021-2022
		Kshs
Cash flows from operating activities		
Receipts		
Transfers from the County Government	6	250,000
Rendering of services- Medical Service Income	7	370,335
Miscellaneous receipts (NHIF)	8A	5,423,740
Total Receipts		6,044,075
Payments		
Medical/Clinical costs	9	2,725,931
Employee costs	10	960,600
Board of Management Expenses	11	111,000
Repairs and maintenance	13	730,755
General expenses	14	1,173,585
Total Payments		5,701,871
Net cash flows from operating activities		342,204
Cash flows from investing activities		
Purchase of property, plant, equipment & intangible assets	18	(92,000)
Net cash flows used in investing activities		(92,000)
Net increase/(decrease) in cash and cash equivalents		250,204
Cash and cash equivalents as at 1 July		168,048
Cash and cash equivalents as at 30 June	15	418,252

The notes set out on pages 1 to 33 form an integral part of the Annual Financial Statements.

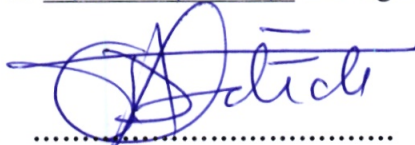
The Hospital's financial statements were approved by the Board on 20TH MAY 2024 and signed on its behalf by:



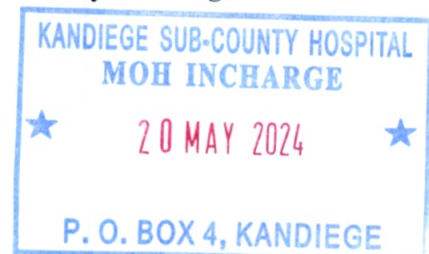
Chairperson
Board of Management



Accountant



Facility In-charge



Kandiego Level 4 Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	1,000,374	-	1,000,374	1,000,374		100%
Rendering of services- Medical Service Income	370,335	-	370,335	370,335		100%
Miscellaneous receipts (NHIF)	6,448,740	-	6,448,740	6,448,740		100%
Total income	7,819,449	-	7,819,449	7,819,449		100%
Expenses						
Medical/Clinical costs	2,725,931	-	2,725,931	2,725,931		100%
Employee costs	960,600	-	960,600	960,600		100%
Remuneration of directors	111,000	-	111,000	111,000		100%
Repairs and maintenance	730,755	-	730,755	730,755		100%
General expenses	1,173,585	-	1,173,585	1,173,585		100%
Surplus for the period	2,117,585	-	2,117,585	2,117,585		100%
Capital expenditure	92,000	-	92,000	92,000		100%

Budget notes

The total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis.

The total expenses for the year under review according to the statement of financial performance is Kshs 5,716,071 while the budget indicates Kshs 5,701,871. This is due the depreciation of Kshs 14,200 charged for the year.

19. Notes to the Financial Statements

1. General Information

Kandiego Level 4 Hospital is established by and derives its authority and accountability from County Government Act. The entity is wholly owned by the Homabay County Government and is domiciled in Homabay County in Kenya. The entity's principal activity is to provide affordable and accessible universal health coverage.

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 hospital'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 Notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the hospital. The financial statements have been prepared in accordance with the PFM Act, 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 2022.

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

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

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

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires: -</p> <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 Entity did not early – adopt any new or amended standards in the financial year

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2021/2022 was approved by Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded additional appropriations on the FY 2021-2022 budget following the Board's approval. The hospital'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.

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 *one* year. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

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

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

After initial recognition, inventory is measured at the lower cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower cost and the current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

The entity does not create and maintains reserves in terms of specific requirements.

p. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

q. Employee benefits

Retirement benefit plans

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

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the hospital, or vice versa. Members of key management are regarded as related parties and comprise the facility in-charge, the hospital management team and senior managers.

Notes to the Financial Statements (Continued)

u. Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the hospital 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 hospital 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. This is the first time the management is preparing the financial statements, therefore there are no comparative figures.

x. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note. 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.

Notes to Financial Statements Continued

5. Transfers from the County Government

Description	2021-2022
	Kshs
Unconditional grants	
Operational grant	250,000
Total government grants and subsidies	250,000

6. In Kind Contributions from The County Government

Description	2021-2022
	Kshs
Medical supplies-Drawings Rights (KEMSA)	750,373.50
Total grants in kind	750,373.50

7. Rendering of Services-Medical Service Income

Description	2021-2022
	Kshs
Pharmaceuticals	130,940.00
Non-Pharmaceuticals	18,150.00
Laboratory	124,490.00
Inpatient	83,890.00
Accident and Emergency Service	12,865.00
Total revenue from the rendering of services	370,335.00

8. Miscellaneous Income

Description	2021-2022
	Kshs
Insurance recoveries	5,423,740.00
Receivables	1,025,000.00
Total Miscellaneous income	6,448,740.00

8A. Miscellaneous Income

Description	2021-2022
	Kshs
Amount as per Statement of Financial Performance	6,448,740.00
Less Accrued Receivables	1,025,000.00
Amount as per statement of Cash flow	5,423,740.00

9. Medical/ Clinical Costs

Description	2021-2022
	Kshs
Laboratory chemicals and reagents	675,196.00
Food and Ration	535,540.00
Dressing and non-pharmaceuticals	465,635.00
Pharmaceutical supplies	1,016,000.00
Sanitary and cleansing Materials	33,560.00
Total medical/ clinical costs	2,725,931.00

10. Employee Costs

Description	2021-2022
	Kshs
Salaries, wages, and allowances	960,600.00
Employee costs	960,600.00

11. Board of Management Expenses

Description	2021-2022
	Kshs
Sitting allowance	111,000.00
Total	111,000.00

12. Depreciation and Amortization Expense

Description	2021-2022
	Kshs
Property, plant and equipment	14,200
Total depreciation and amortization	14,200

13. Repairs And Maintenance

Description	2021-2022
	Kshs
Property- Buildings	447,055.00
Computers and accessories	5,000.00
Motor vehicle expenses	278,700.00
Total repairs and maintenance	730,755.00

Notes to the Financial Statements (Continued)

14. General Expenses

Description	2021-2022
	Kshs
Other Fuel-Charcoal	102,500.00
Computers and Accessories	69,000.00
Bank charges	16,478.00
Electricity expenses	275,000.00
Fuel and Lubricants	282,487.00
General Office Supplies	42,480.00
Travel and accommodation allowance	68,000.00
Daily Subsistence Allowance	27,900.00
Printing and stationery	245,740.00
Water and sewerage costs	6,000.00
Telephone and mobile phone services	28,000.00
Internet expenses	10,000.00
Total General Expenses	1,173,585.00

15. Cash And Cash Equivalents

Description	2021-2022
	Kshs
Current accounts	418,252.00
Total cash and cash equivalents	418,252.00

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

Description		2021-2022
Financial institution	Account number	Kshs
a) Current account		
Kenya Commercial bank	1163401668	418,252.00
Grand total		418,252.00

16. Receivables From Exchange Transactions

Description	2021-2022
	KShs
Medical services receivables	1,025,000.00
Total receivables	1,025,000.00

Analysis of Receivables From Exchange Transactions

Description	Insert Current FY	
	Kshs	
	Current FY	% of the total
Less than 1 year	1,025,000	100%
Total (a+b)	1,025,000	100%

17. Inventories

Description	2021-2022
	KShs
Pharmaceutical supplies	541,332.00
Dressings and non-pharmaceuticals supplies	14,317.00
Food supplies	90,500.00
Laboratory Supplies	490,524.50
Cleaning materials supplies	1,500.00
Total	1,138,173.50

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Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

Description	Furniture, fittings, and office equipment	ICT Equipment	Total
	Ksh	Ksh	Ksh
Cost			
At 1 July 2021			
Additions	67,000	25,000	92,000
At 30th Jun 2022	67,000	25,000	92,000
Depreciation and impairment			
At 1 July 2021			
Depreciation for the year	6,700	7,500	14,200
At 30 June 2022	6,700	7,500	14,200
Net book values			
At 30 th Jun 2022	60,300	17,500	77,800

Kandiego Level 4 Hospital (Homabay County Government)
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Notes to the Financial Statements (Continued)

19. Trade and other Payables

Description	2021-2022	
	Kshs	
Trade payables	310,000.00	
Total trade and other payables	310,000.00	
Ageing analysis:	Current FY	% of the Total
Under one year	310,000	100%
Total	310,000	100%

20. Cash Generated from Operations

Description	2021-2022	
	Kshs	
Surplus for the year before tax	2,103,378	
Adjusted for:		
Depreciation	14,200	
Working Capital adjustments		
Increase in inventory	(984,326)	
Increase in receivables	(1,025,000)	
Increase in payables	310,000	
Net cash flow from operating activities	418,252	

Notes to the Financial Statements (Continued)

21. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing
	Kshs	Kshs
At 30 June 2022		
Receivables from exchange transactions	1,025,000	1,025,000
Bank balances	418,252	418,252
Total	1,443,252	1,443,252

Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

Description	Between 1-3 months	Total
	Kshs	Kshs
At 30 June 2022		
Trade payables	310,000	310,000
Total	310,000	310,000

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

The entity has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

22. Related Party Balances

Nature of related party relationships

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

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

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

Description	2021-2022
	Kshs
Transactions with related parties	
Grants from the Government	
Grants from County Government	250,000
Donations in kind	750,373.50
Total	1,000,373.50

23. Events after the Reporting Period

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

24. Ultimate and Holding Entity

The hospital is a County Corporation under the Department of Public Health and Medical Services. Its ultimate parent is the County Government of Homabay.

25. Currency

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

Kandiego Level 4 Hospital (Homabay County Government)
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20. 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)


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Accounting Officer

