

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

**REPORT**

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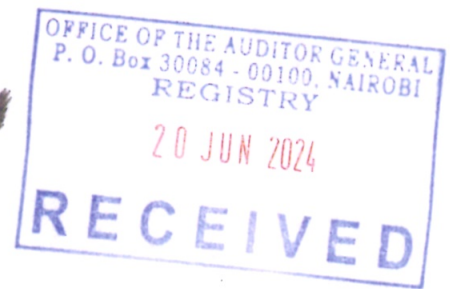
**THE AUDITOR-GENERAL**

**ON**

**ENGINEER COUNTY LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF NYANDARUA**



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**Engineer County Level 4 Hospital  
(Nyandarua County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

*Engineer County level 4 Hospital (Nyandarua County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

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*Engineer County level 4 Hospital (Nyandarua County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

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**I. Key Entity Information and Management**

**(a) Background information**

Engineer County Hospital is a level (4) hospital established under gazette notice number Vol.CXIX-No.24 of 24<sup>th</sup> February,2017 and is domiciled in Nyandarua County under the Health Services Department. The hospital is governed by a Board of Management.

**(b) Principal Activities**

The principal activity/mission/ mandate of the hospital is to provide healthcare services.

**(c) Key Management**

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital management team.

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	Dr Boniface Gachara Ndegwa
2.	Head of finance	CPA Roseline Karimi Mbogoh
3.	Head of Administration Services	Mr. Stephen Mwangi Mwathi
4.	Head of Nursing Services	Ms. Pauline Wambui Mukiri
5.	Head of Pharmaceutical services	Dr. Jessica Njenga

**(e) Fiduciary Oversight Arrangements**

**Clinical Research and Standards Committee.**

In the period under reporting, the hospital did not have this committee in place.

**Audit committee.**

This audit committee of the board of management had 3 members. This committee is an oversight committee that ensures that there is prudence in financial management in the hospital. During the reporting period this committee had four meetings at the hospital.

**Risk Committee**

In the period under review risk review and mitigation was function under the hospital board quality subcommittee.

**County Assembly**

The county Assembly committee of health is a 9-member committee which oversees health services in the county. During the reporting period the committee did not visit the hospital.

**(f) Entity Headquarters**

P.O. Box 103-20318  
North Kinangop.  
Located about 5kms from Engineer Town  
Nyandarua County, KENYA.

**(g) Entity Contacts**

Telephone: (+254) 0721707559  
(+254) 0721298698  
E-mail: engineercountyhospital@gmail.com

**(h) Entity Bankers**

Cooperative Bank  
Engineer Branch



**(i) Independent Auditors**




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

**(j) County Attorney**




P.O. Box. 701-20303  
Olkalou, Kenya

**II. The Board of Management**

Ref	Directors	Details
1.	<p>Director 1 Dr. Mary Mathenge</p> 	<p>Dr. Mathenge aged 56, is the Ag. Board Chairperson. She holds a Bachelor Degree of Veterinary Medicine &amp; Surgery from the University of Nairobi. She has an experience in Veterinary Services for 29 years.</p>
2.	<p>Director 2 Mr. Joseph Kariuki Kamiri</p> 	<p>Mr. Joseph aged 56, is the General Manager - Marketing &amp; Customer Experience. He holds Bachelor of Commerce - Insurance Option from the University of Nairobi. He's an Associate Member of Insurance Institute of Kenya (AIK) and an Associate Member of the Chartered Insurance Institute (ACII). He holds an MBA (Marketing) from the University of Nairobi. In addition, Mr. Kamiri has done the Advanced Management Program (AMP), from IESE Business School, Spain &amp; Strathmore Business School, Kenya and has attended Negotiation, Mediation &amp; Arbitration training from the International Law Institute (George Washington University-USA). Mr. Kamiri has over 32 years' experience in the Insurance business in both Kenya and the Global Emerging Markets.</p>

3.	<p>Director 3 Rev. John Gichigi Mwangi</p> 	<p>Rev. John aged 59, is a Member of the Board and the Chair of Finance Sub Committee. He holds a Degree in Christian Theology from MOFFAT College. He has an experience in Administration and Pastoring for 31 Years.</p>
4.	<p>Director 4 Rev. Francis Ngacha Hiuhu</p> 	<p>Rev. Francis aged 69, is a Board Member and the Chair of Audit Sub Committee. He holds a Bachelor Degree in Education Science from Kenyatta University. He has an experience in Teaching for 15 Years and a Principal for 10 Years.</p>
5.	<p>Director 5 Ms. Tiziana Wanjiru Mwangi</p> 	<p>Ms. Tiziana aged 55, is a Board Member and a Member of the Finance Sub Committee. She holds a Diploma in Human Resource from Nairobi Finance and Management Institute, Secretarial Course from St. Teresa Commercial College. She has an experience in Secretarial for 10 Years, Cooperative Management for 5 Years, Nominated MCA for 5 Years and TOT of PWDs by National Council for Person with Disability.</p>
6.	<p>Director 6 Ms. Susan Muthoni Mwangi</p>	<p>Ms. Susan aged 31, is a Board Member and a Member of Quality Assurance Sub Committee. She holds a Diploma in Community Health and Development from</p>



		<p>Premise African Development Institute, Certificate in HTS Testing Services from Centre for Training and Development. She has an experience in Community Health for 1 Year and HTS services for 7 Years.</p>
7.	<p>Director 7/Alternate Mr. James Wairegi Wambugu</p> 	<p>Mr. James aged 40, is a Board Member and a Member of Audit Sub Committee. He holds a Masters in Business Administration - Accounts &amp; Finance. He has an experience in Lecturing for 7 years and Administration for 8 years.</p>
8.	<p>Medical Superintendent Dr. Boniface Gachara Ndegwa</p> 	<p>Dr. Gachara aged 36, is the Board Secretary and a Member of Quality Assurance Sub Committee. He holds a Master of Science in Medical Sciences with a Major in Public Health, Fellowship in Hospital Operations and Management, Bachelor of Pharmacy, Certified Public Accountant, Senior Management Course, Certified Public Accountant (CPA-K). He has an experience in Healthcare Management for 7 years.</p>
9.	<p>Entity Secretary</p>	<p>Indicate whether the secretary is a member of ICS as required under the Mwongozo code in addition to their other details.</p>

### III. Management Team(EEC)

Ref	Management	Details
1.	<p>Manager 1 Medical Superintendent- Dr.Boniface Gachara Ndegwa</p>	<p>Provide strategic leadership in the hospital. He leads the hospital management team consisting of the various unit heads. He is accountable to hospital board vertically to the county director of health and cheif officer health services in the county.</p>
2.	<p>Manager 2 Health Administrative officer Mr.Stephen Mwangi</p>	<p>Ensuring efficient and effective management of health support services. Promoting welfare of patients and staff ensuring their security, liaising with professionals and technical departmental heads to improve the overall management and delivery of services in the hospital.</p>
3.	<p>Manager 3 Hospital Accountant CPA Roseline Karimi Mbogoh</p>	<p>Ensuring the accuracy of the financial documents as well as their compliance the relevant laws and regulation. She is responsible for monitoring</p>

		and maintaining important financial reports.
4.	Manager 4 Head Nursing Services	evaluating community interventions and providing feedback. Managing nursing commodities and other resources; conducting surveys in various health care areas and disseminating findings to improve care; coordinating occupational health and safety activities and preparing periodic reports; ensuring effective utilization and safety for assigned medical supplies and equipment; developing standard operating procedures in collaboration with other stakeholders; conducting training needs assessment and developing training and induction programs; conducting ward rounds and reviewing patients conditions, coaching and mentoring nursing staff.
5.	Hospital Pharmacist in Charge Dr. Jessica Njenga	head of pharmaceutical services including the

		clinical aspect of supply chain related issues of pharmaceuticals.
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#### **IV. Chairman's Statement**

It takes a great team with dedication, self-drive and focus to build and sustain a great organization. As I present the chairpersons report it is clear that the accomplishment recounted within it as the result of extraordinary collaboration with the hospital's most important assets, its people. The distinctive disciplines of a hospital do not matter but rather, each individual place a valued part in making engineer County Hospital a reputable institution.

During the financial year 2021/2022, we collectively embarked on identity to align our activities to the hospital's vision; to be the people's healthcare facility of choice through provision of exceptional healthcare services'. Even with constant exposure to challenges we remained enthusiastic about each man's contribution to our vision; every member of the hospital management board being active and proactive in their respective committees to deliver on the supreme mandate of ensuring accountability and efficient application of the hospital's resources while at the same time safeguarding the quality of care. As such the board has been a formidable version of the community's interest within the hospital.

We remember the financial year 2021-2022 for many reasons. Top on the list is the financial recovery. As compared to the financial year 2020-2021, the hostel married reporter for the 48.3% increase in revenues. This allowed the facility to settle pending bills dating back to two years and set the path to a promising debt restructuring. At the center of this success story, dedicated employees from engineer County Hospital worked and engaged each other in effort to guarantee quality services even in the wake of increasing workload. On service delivery the overall patient workload increased by 32.02% as compared to the financial year 2020-2021. While the overall deliveries increased by 9.72% with the deliveries by cesarean section increasing by 188.64% within the same. Further, the hospital expanded on the scope of services to incorporate an ophthalmology/eye unit, dental X-ray and gynecological outpatient clinic(GOPC). Argumented by deployment of 21 officers comprised of nurses, nutritionist, medical officers, consultants and the specialized clinic officers; these developments have led to significant reduction number referrals since the services and competencies are now available in the hospital. On infrastructure, there have been two flagship projects that commenced within the financial year 2021-2022 namely A50 bed capacity male ward and 116 bed capacity twin ward for male and female ,58 bed capacity each. Notably, the twin wards were courtesy of the national government through the county government and implemented by the Department of Defense. The project comprised other auxiliary and associated work such as completion and equipping of a laundry and kitchen, powerhouse, incinerator, septic tank and extensive external civil works

we thank the government for providing state of the arts in patient facility that will help expand our scope of services and enhance efficiency in service delivery.

I am indebted to the hospital management board for providing supportive and complimentary role while making progressive decision towards directing this great hospital. I am also impressed with their wealth of knowledge and experience in various settings. I strongly assure the residence of the wider Kinangop and Nyandarua county that engineer County Hospital remains committed and will deliver exceptional services consistent to the needs of the patients and community without compromising the principles of corporate governance ,ethics and sustainability.

I would like to take this opportunity to thank the hostel management board, the medical Superintendent, healthcare workers and the support staff for their support and commitment during the year.



**Dr. Mary Mathenge**

**Chairperson, Hospital Management Board**

**Engineer County Hospital**

## **V. Report of The Chief Executive Officer**

It gives me great pleasure to present the engineer County Hospital report for the financial year 2021-2022. The hospital has continued to grow in leaps and bounds, Reporting remarkable progress at the time that most institutions are struggling to recover from the devastating effects of the COVID-19 pandemic. This development is credited to the diligent workforce that has continued to render their self-service to the Kinangop community and beyond.

The report highlights the hostels operational and financial performance as well as our strategic direction as bound by the mission and vision; To provide the highest attainable healthcare standards, in a manner responsive to the population's needs' and To be the people's healthcare facility of choice through provision of exceptional healthcare services' respectively.

### **Operational performance/service delivery**

The hospital provides primary and specialized health care services namely outpatient, inpatient, emergency services, pharmacy, maternity, diagnostic services that comprise laboratory and radiological services, specialized clinics, surgical procedures, and farewell services in the category of a level 4 healthcare facility. Notably, the hospital serves as a referral center to the 21 primary healthcare facilities within Kinangop sub county. To meet the community and patient healthcare needs, the hostel boasts of a conglomerate of competences. As at 30th June 2022, the hospital staff establishment stood at 107. Within the financial year 2021-2022, there was an addition of one dentist, two of obstetric/ gynecological consultants, four medical officers, three nutritionists, four nurses, one driver, two clinical officers, Two specialized clinic officers in one public health officer intern. This argued the hospital's efforts in expanding to the scope of services offered and subsequently, managed to scale up the services to incorporate gynecological outpatient clinic, Ophthalmology/eye unit, pediatric outpatient clinics, dental X-ray, awareness clinic and specialized gynecological and obstetric services. This development was to ensure that patients received safe, timely, equitable, efficient, effective patient centered services. Consequently, in 2021-2022, the hospital's workload stood at 33,744 which was an increase of 32.02% in the overall patient workload as compared to the financial year 2020-2021 while the number of deliveries increased by 9.72% to stand at 1873 over the same period. Further, 254 cesarean sections were conducted as well as that of medical indications which was 188.64% increase from the financial year 2020-2021 while pediatric admissions increased by 325.93% to stand at 155 admissions over the same period. During the year the clinical and maternity teams demonstrated the clinical effectiveness that saw reduction in neonatal mortality from 3.1 in financial 2020-2021 to 1.3 in the year 2021-2022.

### **Healthcare infrastructure**

during the financial year 2021-2022, there was a groundbreaking and commencement of works on 2 flagship projects namely A50 bed capacity Male ward and 116 bed capacity twin wards male and female 58 bed capacity each. Notably, the tin word so cutters with the national government through the county government and implemented by the Department of Defence. The project also comprised the auxiliary and associated work such as completion and equipment of laundry unit and modern kitchen, powerhouse, incinerator, septic tank and extensive civil works. The state-of-the-art inpatient facility would help expand on the scope of services and enhance efficiency in service delivery within the same financial year, the facility was here marked by the ministry of ICT (information, communication and technologies) for the deployment of fiber optic connectivity. This is a great milestone towards the hospital agenda on our automation.

### **Notable Interventions**

during the financial year 2021-2022, the hospital's administration lay the foundation for initiation of performance contracting. This was conceptualised as an internal arrangement in addition to the periodic performance appraisal as prescribed the county's human resource guidelines. Performance contracting was intimidated to provide an integrated service delivery solution that will provide a link between the hospitals vision and provision of services to ensure that the systems work properly and communication flows smoothly. In total, 17 performance management frameworks were established with the reference to the departmental performance contracts and in collaboration with the implementing party these contractual agreements were to come to effect in the financial year commencing 1st July 2022. Further, the costed implementation plans in return from the performance contract used to inform the development of the annual plans. Finally, the facility managed to generate a 19 point priority list of items to be incorporated into the CIDPIII.

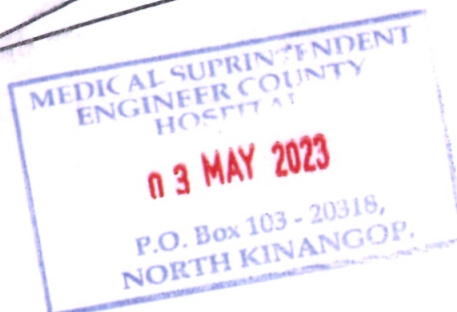
### **Financial Review**

during the financial year 2021-2022, our financial statements looked healthy as compared to the year 2020-2021. The hospital revenues for the year stood at Kshs 30,314,388.00, Being the collective receipts from the various income sources for the hospital. This was a 48.3% increase in earning as compared to the financial year 2020-2021. This was such a beauty to the expansion and scope of services, increased workload across all the departments, availability of supplies and consumables and exceptional diligence from the hospital's workforce. Within the year, the hospitals administration undertook calculated measures to review the hospitals debts, some of which dated back two years. From the debt restructuring, as at the end of the financial year 2021-2022, the overall pending bill stood at Kshs 1,060,087 Which was 142.6% reduction in the debits as compared to the financial year 2020-2021. With this trajectory, the ostrich well set in the path to financial sustainability and self-reliance.

### **Acknowledgement**

**The thousands of patients attended at our facility are living proof to the commitment diligence and professionalism of exceptional workforce.** We are forever indebted to this critical sector for institution. Additionally, we are beholden to the various stakeholders, what levels are for government, the community and the hospital management board for their kindness ,compassion ,support ,dedication and immense contribution to Engineer County Hospital.

**Dr. Boniface Gachara**  
**Medical Superintendent**  
**Engineer County Hospital**





## **VI. Corporate Governance Statement**

### **Introduction**

The Hospital has a working board of management and his constituted to ensure that corporate governance is maintained at all levels of the hospital. The board executes its mandate with integrity ,honesty and openness.

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

### **The board of management**

the board is composed of non-executive members elected by the CECM health services and appointed by the governor.

The board is held accountable and responsible for the effective governance of the institution. In order to discharge this mandate, the body scattered by the Health Act 2017, and the Mwongozo a code of governance for state corporations.

The members have a range of skills and experiences which they bring to the board.

The board members appointed through Kenya Gazette to serve for three years which is renewable once.

The board has delegated the authority to conduct day-to-day business to the medical Superintendent. The board, however, is responsible for establishing and maintaining the hospitals overall internal control ,financial and compliance framework.

### **Board Diversity**

The board has five women which represents 42%. The engineer County Hospital has complied with the 2/3 general rule.

### **Board Remuneration**

The board was remunerated as per the circular given by the SRC in 2014.

### **Board Meetings.**

The board meets quarterly as by its regulation with an additional meeting when necessary. The board agenda sure prepared early and adequate notice is given. The main board held meetings as follows.

Full board-4 meetings

	<b>Name</b>	<b>No. of Meetings</b>
1	Dr.Mary Mathenge	4/4
2	Susan Muthoni	4/4
3	Tiziana Wanjiru	4/4
4	Rev.Francis Ngacha	4/4
5	Rev Dr.John Gichigi	3/4
6	Mr.Joseph Karimi	2/4
7	Mr.Samuel Mburu	4/4
8	Dr.Boniface Gachara	4/4

9	Mr. John Karanja	3/4
10	Mr. Stephen Mwangi	4/4
11	Roseline Karimi	4/4
12	Pauline Karimi	4/4

## Management Discussion and Analysis

### Clinical/operational performance

Bed capacity of the hospital.

The hospital had a medic capacity 84 bed at the time of reporting.

- Overall patient attendance during the year for both inpatient and outpatient.

### ENGINEER COUNTY HOSPITAL WORKLOAD DATA JUNE 2021-JULY 2022

MONTHS	OPD WORKLOAD	SPECIAL CLINICS	DELIVERIES	INPATIENT
JULY	2969	1666	128	151
AUG	3351	817	145	181
SEP	3451	305	152	159
OCT	2753	832	160	172
NOV	3011	453	150	174
DEC	3033	345	161	181
JAN	3105	350	151	168
FEB	2642	380	153	152
MAR	2482	161	153	161
APR	2199	742	185	199
MAY	1763	656	164	189
JUNE	2494	618	162	168
<b>TOTAL</b>	<b>33253</b>	<b>7325</b>	<b>1864</b>	<b>2055</b>

### Specialised clinic attendance

Specialised clinic attendance had 7,325 patients attending during the time of reporting.

### Average length of stay for in patient

The Average length of stay is 2 days

### Bed occupancy rate

The bed occupancy rate is 75%

### Surgical theatre utilisation (number of operations over a period of time)

Caesarean sections for the period was 254.

**Financial performance that includes**

- revenue sources,
  - FIF
  - NHIF
- utilisation of funds etc

Funds are utilized as per the approved hospital budgets by the hospital board.

**VII. Environmental And Sustainability Reporting**

Engineer County Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the clients and citizen first, delivering health services, improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability. (Tailor made as appropriate)

*i) Sustainability strategy and profile*

To ensure that those operations are maintained despite the minimal financial resources, the Australians put in measures to reduce some cost and increase revenue. In return times the cost of living has gone up significantly the hospital has largely maintained the cost of rendering services. The hospital management has undertaken to have accurate costing of services and updating the charges including presenting proposal for update of the county revenue bill. The management is also tracking expenditure to identify trends and manage cost by identifying the large cost centers.

To improve on revenue collection, the ouster has in plumber shift from paper to electronic hospital management information system to improve on efficiency and see loopholes for revenue loss. We also focusing on improving revenue from insurance specifically in HF by improving the claim process and also liasing with schools principals to tap more EDU-AFYA(Students Scheme)

*ii) Environmental performance*

Cognizant of the impact and contribution to climate change, the hospital has progressively put in measures to address climate change. The hospital in the year under review, we planted trees with support from Dedan kimathi foundation and the Akorino group.

*iii) Employee welfare*

The hospital has employees mainly deployed by the county public service board, Those in service, pre devolution contract staff from MOH and project staff by implementing partners. The hospital through the hospital board engages staff on casual basis mainly for clerical and sanitation work .

For the professional staff the management also facilitate officers to attend annual professional conferences and symposia ,this is aimed at improving the knowledge and competencies available for service delivery.

*iv) Market place practices-*

The organisation should outline its efforts to:

**a) *Responsible competition practice.***

The hospital is a no corruption zone. This is made known to our clients and stakeholders through communication as captured on our service charter and notices placed in strategic places in the hospital. With the population health based approach the hospital considered such health service providers in our market as collaborators more than competitors.

**b) *Product stewardship***

The hospital has strategically displayed a service charter to inform clients of available services. We also have the client rights strategically placed for reference.

**v) *Corporate Social Responsibility / Community Engagements***

During the year under review, the hospital actively engaged the client's on health talks, free cervical cancer screening and diabetes screening as a corporate social responsibility.

## **Report of The Board of Management**

The Board members submit their report for the year ended June 30, 2022, which show the state of the hospital's affairs.

### **Principal activities**

The principal activities of the entity are to provide curative, Preventive, rehabilitative, and promoting health services. This was then under various departments.

### **Results**

The results of the entity for the year ended June 30,2022 xvi

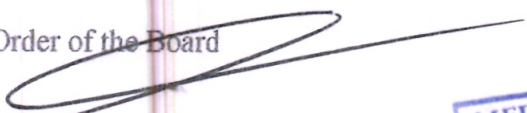
### **Board Of Management**

The members of the Board who served during the year are shown on page vi. During the year under review Dr.Boniface Gachara was the board secretary.

### **Auditors**

The Auditor General is responsible for the statutory audit of Engineer County level 4 hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

  
**Dr. Boniface Gachara**  
Secretary to the Board



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

The Board of Management is responsible for the preparation and presentation of Engineer County level 4 hospital financial statements, which give a true and fair view of the state of affairs of the hospital as at the end of the financial year 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 hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of hospital's transactions during the financial year ended June 30, 2022 and of the hospital's financial position as at 30<sup>th</sup> June, 2022. 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 \_\_\_\_\_ and signed on its behalf by:

Name: *Dr. Mny Mathenge*  
Chairperson  
Board of Management

Name: *Dr. Gachar Ndegwa*  
Accounting Officer



# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON ENGINEER COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF NYANDARUA**

### 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 the 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 Engineer County Level 4 Hospital - County Government of Nyandarua set out on pages 1 to 16, which comprise of 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 Engineer County Level 4 Hospital - County Government of Nyandarua as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

### **Basis for Qualified Opinion**

#### **1. Unsupported Employee costs**

The statement of financial performance and Note 8 to the financial statements reflects employees' costs amounting to Kshs.132,139,831. Included in the balance, is an amount of Kshs.128,809,080 being salaries and wages paid to medical staff and other employees by the County Government on behalf of the Hospital. However, the payroll, staff establishment and other supporting documents were not provided for audit verification.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.132,139,831 could not be confirmed.

#### **2. Undisclosed Inventories Balance**

The statements of financial position and Note 15 to the financial statements reflect inventory balance of Kshs.2,507,327. However, review of the store records on pharmaceuticals and non-pharmaceuticals revealed that there were stock balances of various drugs and other non-pharmaceuticals of undetermined value as at 30 June, 2022. Further, there was no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventories.

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

#### **3. Unsupported Property, Plant and Equipment Balance**

The statement of financial position and Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.1,691,991. The balance relates to assets which were purchased within the financial year. However, review of financial records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

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

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.1,691,991 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Engineer County 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 judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness, and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Deficiencies in Implementation of Universal Health Coverage (UHC)**

Review of 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 forty-five (45) staff requirements or 47% of the authorized establishment.



<b>Staffing Requirement</b>	<b>Level 4 Standard</b>	<b>Number in Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Medical Officers	16	10	6	38
General Surgeon	2	0	2	100
Pediatrics	2	1	1	50
Kenya Registered Community Health Nurses	75	39	36	48
<b>Total</b>	<b>95</b>	<b>50</b>	<b>45</b>	<b>47</b>

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

<b>Equipment</b>	<b>Level 4 Hospital Standard</b>	<b>Actual in the Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
New Born Unit - Incubators and Five (5) Cots	5	4	1	20
New Born Unit Cots	5	2	3	60
Functional Intensive Care Unit - Beds	6	0	6	100
High Dependency Unit - Beds	6	0	6	100
Renal Unit with at Least 5 Dialysis Machines	5	0	5	100
Two Functional Operating Theaters Maternity and General	2	2 One functional	1	50

The deficiencies contravene the First Schedule of the 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 may not be able to deliver on its mandate.

## **2. Lack of Quarterly Revenue Reports**

The statement of financial performance and Note 6 to the financial statements reflects Kshs.32,906,939 in relation to the rendering of services - medical income. However, Management did not provide evidence to show that the reports were prepared and submitted the same to the County Treasury with a copy to the Auditor-General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of

revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

### **3. Irregular Engagement of Casual Workers**

The statement of financial performance and Note 8 to the financial statements reflects employee costs amount of Kshs.132,139,831 out of which an amount of Kshs.3,330,751 was in respect of casual wages. 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 8.16(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.

### **4. Failure to Dispose Unserviceable Assets**

The statement of financial position reflects Kshs.1,691,991 balance in respect of property, plant and equipment. However, field verification revealed unserviceable assets that have not been disposed of and the same remain unutilized. This was contrary to the Public Procurement and Asset Disposal Act, 2015 Section 164(1) which states that the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the Disposal Committee through the Head of the Procurement Function.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Expiry of Medical Supplies**

The statement of financial position and Note 15 to the financial statements reflects inventory balance of Kshs.2,507,327. Review of the store records on pharmaceuticals and non-pharmaceuticals revealed that various drugs of undetermined value had expired.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical could not be confirmed.

### **2. Stock-Outs of Essential Medical Supplies**

The statement of financial position and Note 15 to the financial statements reflects inventory balance of Kshs.2,507,327. Review of the Hospital stock cards for controlling stores indicated that the Hospital experienced stock out of medical supplies ranging from ten (10) days to thirty (30) days.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical inventory to achieve the Hospital mandate could not be confirmed.

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

## **Responsibilities of Management and the Board of Management**

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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

**02 July, 2024**

**Engineer County level 4 Hospital (Nyandarua County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

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

Description	Notes	2021/2022	2020/2021
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
In-kind contributions from the County Government	4	134,850,398	-
		<b>134,850,398</b>	-
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	6	32,906,939	-
<b>Revenue from exchange transactions</b>		<b>32,906,939</b>	-
<b>Total revenue</b>		<b>167,757,337</b>	-
<b>Expenses</b>			
Medical/Clinical costs	7	14,733,135	-
Employee costs	8	132,139,831	-
Board of Management Expenses	9	703,000	-
Repairs and maintenance	10	1,627,457	-
General expenses	11	8,726,610	-
<b>Total expenses</b>		<b>157,930,033</b>	-
<b>Net Surplus for the year</b>		<b>9,827,304</b>	-
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		9,827,304	-

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

.....  
**Chairman**  
**Board of Management**

.....  
**Head of Finance**  
**ICPAK No: 15236**

.....  
**Medical Superintendent**

.....  
**03 MAY 2023**  
REG. NO. 201-2018,  
NORTH RIFT VALLEY


*Engineer County level 4 Hospital (Nyandarua County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

**XI. Statement of Financial Position as of 30<sup>th</sup> June 2022**

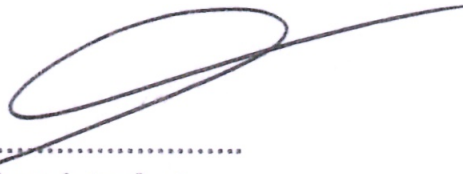
Description	Notes	2021/2022 Kshs	2020/2021 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	5,542,733	-
Receivables from exchange transactions	14	2,592,580	-
Inventories	15	2,507,327	-
<b>Total Current Assets</b>		<b>10,642,640</b>	-
<b>Non-current assets</b>			
Property, plant, and equipment	16	1,691,991	-
<b>Total Non-current Assets</b>		<b>1,691,991</b>	-
<b>Total assets</b>		<b>12,334,631</b>	-
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	815,336	-
<b>Total Current Liabilities</b>		<b>815,336</b>	-
<b>Total Liabilities</b>		<b>815,336</b>	-
<b>Net assets</b>			
Surplus		9,827,304	-
Capital Fund		1,691,991	-
Total net			
<b>Total Net Assets and Liabilities</b>		<b>12,334,631</b>	-

Note: Reported Property, Plant and Equipment relates to only those acquired within the year.

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

  
.....  
Chairman

  
.....  
Head of Finance

  
.....  
Medical Superintendent

Board of Management

ICPAK No: 15236







*Engineer County level 4 Hospital (Nyandarua County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*


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

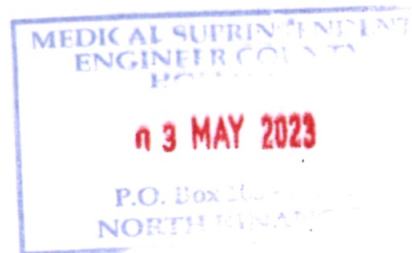
	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2020</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
<b>As at June 30, 2021</b>	-	-	-	-
<b>At July 1, 2021</b>	-	-	-	-
Revaluation gain	-	-	-	-
Capital grants	-	-	1,691,991	1,691,991
Surplus for the year	-	9,827,304	-	9,827,304
<b>At June 30, 2022</b>	-	<b>9,827,304</b>	<b>1,691,991</b>	<b>11,519,295</b>

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

  
 .....  
**Chairman**  
**Board of Management**

  
 .....  
**Head of Finance**  
**ICPAK No: 15236**

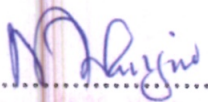
  
 .....  
**Medical Superintendent**




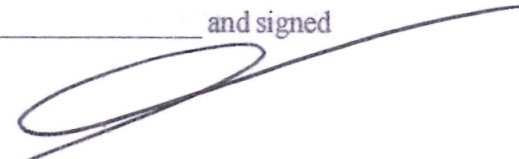
**XIII. Statement of Cash Flows for The Year Ended 30 June 2022**

Description	Note	2021/2022	2020/2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rendering of services- Medical Service Income	6	32,906,939	-
<b>Total Receipts</b>		<b>32,906,939</b>	<b>-</b>
<b>Payments</b>			
Medical/Clinical costs	7	8,691,817	-
Employee costs	8	3,330,751	-
Board of Management Expenses	9	703,000	-
Repairs and maintenance	10	1,627,457	-
General expenses	11	8,726,610	-
<b>Total Payments</b>		<b>23,079,635</b>	<b>-</b>
<b>Net cash flows from operating activities</b>		<b>9,827,304</b>	
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, & intangible assets	16	(1,691,991)	-
<b>Net cash flows used in investing activities</b>		<b>(1,691,991)</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at 1 July			
<b>Cash and cash equivalents at 30 June</b>	12	<b>5,542,733</b>	<b>-</b>

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

  
.....  
**Chairman**  
**Board of Management**

  
.....  
**Head of Finance**  
**ICPAK No: 5236**

  
.....  
**Medical Superintendent**



Engineer County level 4 Hospital (Nyandarua County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022

XIV. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 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	
<b>Revenue</b>						
In kind contributions from the County Government	134,850,398	-	134,850,398	134,850,398	-	100%
Rendering of services- Medical Service Income	32,906,939	-	32,906,939	32,906,939	-	100%
<b>Total income</b>	<b>165,164,757</b>	<b>-</b>	<b>165,164,757</b>	<b>165,164,757</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
Medical/Clinical costs	17,897,474	-	17,897,474	14,733,135	3,164,339	82%
Employee costs	132,141,567	-	132,141,567	132,139,831	1,736	100%
Remuneration of directors	790,000	-	790,000	703,000	87,000	89%
Repairs and maintenance	2,398,060	-	2,398,060	1,627,457	770,603	68%
General expenses	10,356,210	-	10,356,210	8,726,610	1,629,600	84%
Capital expenditure	2,168,161	-	2,168,161	1,691,991	476,170	78%
	<b>165,751,472</b>	<b>-</b>	<b>165,751,472</b>	<b>159,622,024</b>	<b>6,129,488</b>	<b>%</b>
<b>Surplus for the period</b>			<b>(586,715)</b>	<b>5,542,733</b>	<b>(6,129,488)</b>	<b>%</b>

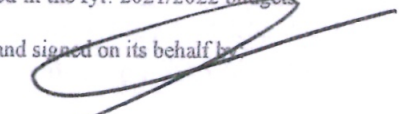
Budget notes

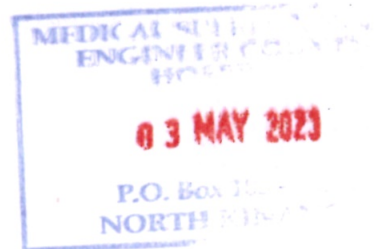
There was a balance brought forward as at 1<sup>st</sup> July, 2021 of kshs.586,715 that was included in the fyr. 2021/2022 budgets

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

  
.....  
Chairman  
Board of Management

  
.....  
Head of Finance  
ICPAK No: 15236

  
.....  
Medical Superintendent



## **XV. Notes To the Financial Statements**

### **1. General Information**

Engineer County level 4 hospital is established by and derives its authority and accountability from PFM Act. The hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The hospital's principal activity is to provide medical services.

### **2. Statement Of Compliance And Basis Of Preparation**

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the hospital's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the hospital.

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

### **3. Summary Of Significant Accounting Policies**

#### **Revenue from exchange transactions**

#### **Rendering of services**

Engineer County level 4 Hospital 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 once services have been rendered and payment made or claim raised with the insurance.

*Notes to the Financial Statements (Continued)*

**a) Budget information**

Engineer County level 4 Hospital did not prepare budget estimates for the Fyr 2021/2022. The budgets are prepared quarterly based on the actual revenue received during the previous quarter.

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 quarterly budgets.

**b) Property, plant and equipment**

Property, plant and equipment reported are those acquired during the year. These have been reported at cost. The hospital has other Property, plant and equipment in terms of land, buildings, equipments, furniture and fittings that have not been reported. This is because the original costs and year of acquisitions are not available. The process of valuation is underway.

**c) Inventories**

Inventory have been measured at cost.

**d) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank. Bank account balances are the amounts held at the Co-operative Bank of Kenya as at 30<sup>th</sup> June, 2022.

Notes to the Financial Statements (Continued)

4. In Kind Contributions from The County Government

Description	2021/2022	2020/2021
	KShs	KShs
Salaries and wages	128,809,080	-
Pharmaceutical and Non-Pharmaceutical Supplies	6,041,318	-
<b>Total grants in kind</b>	<b>134,850,398</b>	<b>-</b>

6. Rendering of Services-Medical Service Income

Description	2021/2022	2020/2021
	KShs	KShs
Pharmaceuticals	2,516,200	-
Laboratory	2,473,650	-
Radiology	2,902,200	-
Orthopaedic and Trauma Technology	390,950	-
Medical Services	468,800	-
In-Patient Services	1,055,850	-
Nutrition service	28,100	-
Medical Records	1,896,050	-
Dental services	982,000	-
Occupational & Physio Therapy	165,600	-
Farewell home services	1,773,900	-
Out-Patient Services	1,658,093	-
NHIF	16,595,545	-
<b>Total revenue from the rendering of services</b>	<b>32,906,938</b>	<b>-</b>

Notes to the Financial Statements (Continued)

7. Medical/ Clinical Costs

Description	2021/2022	2020/2021
	KShs	KShs
Dental costs/ materials	638,585	-
Laboratory chemicals and reagents	1,696,613	-
Food and Ration	1,988,575	-
Uniform, clothing, and linen	101,890	-
Dressing and Non-Pharmaceuticals	1,441,325	-
Pharmaceutical supplies	1,340,862	-
Health information stationery	471,060	-
Sanitary and cleansing Materials	529,807	-
Purchase of Medical gases	385,100	-
X-Ray/Radiology supplies	98,000	-
<b>Total medical/ clinical costs</b>	<b>14,733,135</b>	<b>-</b>

8. Employee Costs

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	128,809,080	-
Casual wages	3,330,751	-
<b>Employee costs</b>	<b>132,139,831</b>	<b>-</b>

9. Board of Management Expenses

Description	2021/22	2020/21
	KShs	KShs
Sitting and Mileage costs	703,000	-
<b>Total</b>	<b>703,000</b>	<b>-</b>

Notes to the Financial Statements (Continued)

10. Repairs And Maintenance

Description	2021/2022	2020/2021
	KShs	KShs
Motor vehicle expenses	549,465	-
Maintenance of civil works	1,077,992	-
<b>Total repairs and maintenance</b>	<b>1,627,457</b>	<b>-</b>

11. General Expenses

Description	2021/2022	2020/2021
	KShs	KShs
Advertising and publicity expenses	60,000	-
Catering expenses	504,885	-
Bank charges	12,020	-
Conferences and delegations	148,800	-
Electricity expenses	5,188,860	-
Travel and accommodation allowance	574,380	-
Refined fuel for transport	1,155,183	-
Other Fuels (Cooking gas)	178,350	-
Printing and stationery	712,132	-
Telephone, mobile phone and internet services	192,000	-
<b>Total General Expenses</b>	<b>8,726,610</b>	<b>-</b>

12. Cash And Cash Equivalents

Description	2021/2022	2020/2021
	KShs	KShs
Current accounts	5,542,733	-
Cash in hand	-	-
<b>Total cash and cash equivalents</b>	<b>5,542,733</b>	<b>-</b>



Notes to the Financial Statements (Continued)

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

Description		2021/2022	2020/2021
Financial institution	Account number	KShs	KShs
a) Current account			
Co-operative Bank	01141605107000	5,542,733	-
<b>Total</b>		<b>5,542,733</b>	<b>-</b>

14. Receivables From Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables	2,592,580	-
<b>Total receivables</b>	<b>2,592,580</b>	<b>-</b>

15. Inventories

Description	2021/22	2020/21
	KShs	KShs
Pharmaceutical supplies	257,300	-
Non-pharmaceutical supplies	410,217	-
Food supplies	27,580	-
Cleaning materials supplies	19,250	-
General supplies	11,800	-
Laboratory reagents	213,910	-
Printing and publishing	168,750	-
Clothing & Linen	1,398,520	-
<b>Total</b>	<b>2,507,327</b>	<b>-</b>

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Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

Description	Land	Buildings and Civil works	General Equipments	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>								
At 1 July 2020	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-	-	-	-
At 1 <sup>st</sup> July 2021	-	-	-	-	-	-	-	-
Additions	-	444,561	178,020	124,550	429,480	515,380	-	<b>1,691,991</b>
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	<b>444,561</b>	<b>178,020</b>	<b>124,550</b>	<b>429,480</b>	<b>515,380</b>	-	<b>1,691,991</b>
<b>Net book values</b>								
At 30 <sup>th</sup> June 2021								
At 30 <sup>th</sup> June 2022		444,561	178,020	124,550	429,480	515,380		1,691,991

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*Notes to the Financial Statements (Continued)*

**17. Trade And Other Payables**

Description	2021/2022 KShs	2020/2021 KShs
Trade payables	762,358	-
Employee dues-Statutory deductions	52,978	-
<b>Total trade and other payables</b>	<b>815,336</b>	-

**18. Financial Risk Management**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks. 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 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. Management assesses the credit quality of each customer, taking into account its financial position and past experience.

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*Notes to the Financial Statements (Continued)*

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Receivables from exchange transactions	2,592,580	2,592,580	-	-
Bank balances	5,542,733	5,542,733	-	-
<b>Total</b>	<b>8,135,313</b>	<b>8,135,313</b>	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from NHIF

**(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 hospital'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.

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>				
Trade payables	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Trade payables	233,078	547,013	35,245	815,336
<b>Total</b>	<b>233,078</b>	<b>547,013</b>	<b>35,245</b>	<b>815,336</b>

**19. Related Party information**

**Government of Kenya**

The Government of Kenya is the principal shareholder of Engineer County level 4 Hospital, holding 100% of the hospital's equity interest. Other related parties include:

- I. The National Government;
- II. Ministry of Health;
- III. County Government of Nyandarua;
- IV. Nyandarua County Health Management Team;
- V. Board of directors;

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*Notes to the Financial Statements (Continued)*

**20. Events After The Reporting Period**

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

**21. Ultimate And Holding Entity**

Engineer County level 4 hospital is a State Corporation under the Ministry of Health. Its ultimate parent is the Government of Kenya.

**22. Currency**

The financial statements are presented in Kenya Shillings (Kshs)