

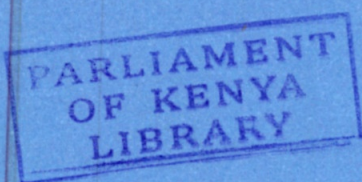
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT



OF

24/09/24
M.L
Abdirahman

THE AUDITOR-GENERAL

ON

**ELBURGON LEVEL 4
SUB-COUNTY HOSPITAL**

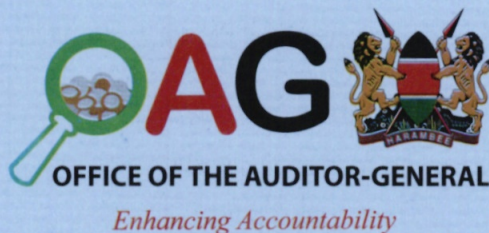
**FOR THE YEAR ENDED
30 JUNE, 2022**

COUNTY GOVERNMENT OF NAKURU



REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ELBURGON LEVEL 4 SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF NAKURU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Elburgon Level 4 Sub-County Hospital - County Government of Nakuru set out on pages 1 to 36, which comprise of the

Report of the Auditor-General on Elburgon Level 4 Sub-County Hospital for the year ended 30 June, 2022 – County Government of Nakuru

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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. 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 the Elburgon Sub-County Level 4 Hospital - County Government of Nakuru 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, County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Unexplained Variances in Revenue from Rendering Services

The statement of financial performance reflects an amount Kshs.8,227,938 in respect to rendering of services – medical service income as disclosed in Note 10 to the financial statements. Included in the amount is Kshs.5,389,820 being claims reimbursed from the National Health Insurance Fund (NHIF). However, confirmations from NHIF records revealed an amount of Kshs.5,050,580 resulting to an unexplained variance of Kshs.339,240.

In the circumstances, the accuracy and completeness of rendering of services - medical service income of Kshs.8,227,938 could not be confirmed.

2. Non-Disclosure of Property, Plant and Equipment

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

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

3. Non-Disclosure of Intangible Assets

The statement of financial position reflects a Nil balance on intangible assets as disclosed in Note 21 to the financial statement. However, the Hospital operates a health management information system which was not recognized in the financial statements.

In the circumstances, the accuracy and completeness of the Nil balance on intangible assets could not be confirmed.

4. Unconfirmed Inventories Balance

The statement of financial position reflects a balance of Kshs.5,218,177 in respect to inventories balance as disclosed in Note 19 to the financial statements. However, Management did not provide stock take reports to support the inventories.

In the circumstances, the accuracy, completeness and valuation of the inventories balance of Kshs.5,218,177 could not be confirmed.

5. Variances in Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.2,529,755 as disclosed in Note 22 to the financial statements. However, review of Hospital records revealed that there was no balance owed to Kenya Medical Supplies Authority (KEMSA) while KEMSA records indicated a balance of Kshs.1,829,883.

In the circumstances, the accuracy, and completeness of the trade payables balance of Kshs.2,529,755 could not be confirmed.

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

The statement of financial performance reflects an amount of Kshs.8,227,938 in respect to rendering of services - medical services income as disclosed in Note 10 to the financial statements. However, no evidence was provided to support prompt deposits of the

revenue into the County Revenue Fund. This was contrary to Regulation 81(1) of Public Finance and Management (County Governments) 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. Unutilized Out-patient Block

Review of Hospital records revealed that the construction of the outpatient block commenced in the year 2020/2021 at a cost of Kshs.38,075,070 and was expected to be completed the same year. However, physical inspection in April, 2024 revealed that the project was complete but it was not being utilized. Further, the Hospital had a water borehole that was not in use due to mechanical breakdown which has led to increased water bills.

In the circumstances, the value for money on the construction of an outpatient block at a cost of Kshs.38,075,070 could not be confirmed.

3. Irregular Engagement of Casual Workers

The statement of financial performance reflects employee costs of Kshs.3,913,419 as disclosed in Note 12 to the financial statements which relates to casual workers engaged for more than three months. This was contrary to Section B.16 (1) of the County Public Service Human Resource Manual, May, 2013 which states that 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. Non-Compliance with Kenya Quality Model for Health Policy Guidelines

Review of Hospital records, interviews with Management and physical inspection 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 seventy-three (73) or 74% of the authorized staff requirements as detailed below.

Staff Requirements	Level 4 Standard	No. in Hospital	Variance	Percentage %
Medical Officers	16	2	14	88
General Surgeons	2	1	1	50
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100

Staff Requirements	Level 4 Standard	No. in Hospital	Variance	Percentage %
Radiologists	2	0	2	100
Kenya Registered Community Health nurses	75	23	52	69
Total	99	26	73	74

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	72	78	52
Resuscitaire (2 in labor & 1 in theatre)	2	0	2	100
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	0	5	100
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	1	1	50

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 understaffing and inadequate hospital equipment may negatively have impacted on service delivery to the public.

5. Unauthorized Over-Expenditure

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual amounts on comparable basis of Kshs.16,008,979 and

Kshs.18,538,734 respectively, resulting to over expenditure of Kshs.2,529,755 or 16% of the budget. This was contrary to Regulation 53(1) of the Public Finance Management (County Governments) Regulations, 2015 which prohibits unauthorized use of funds other than for the purposes specified in the approved budget.

Further, the revenue budget of Kshs.16,317,353 exceeds the expenditure budget of Kshs.16,008,979, resulting in a variance of Kshs.308,374. This was contrary to Regulation 31 of the Public Finance Management (County Governments) Regulations, 2015, which provides that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, the budget revenue and expenditure appropriations shall be balanced and total budget revenue shall cover total budget expenditure.

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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the 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 governance were not effective.

Basis for Conclusion

1. Stock out of Essential Medical Supplies

The statement of financial position reflects an inventory balance of Kshs.5,218,177 as disclosed in Note 19 to the financial statements. A review of the Hospital stock cards for controlling stores indicated that the Hospital experienced stock out of medical supplies ranging from seventeen (17) days and seven hundred and sixty-six (766) days

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

2. Expired Medical Supplies

The statement of financial position reflects inventories balance of Kshs.5,218,177 as disclosed in Note 19 to the financial statements. However, review of the records provided of pharmaceuticals at the Hospital revealed that 654 units of drugs of undetermined value

had expired. Further, the stock cards used to issue drugs to various departments did not indicate the batch number and the expiry dates of the drugs.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical items 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal 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 the sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

Because of its inherent limitations, internal 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 judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

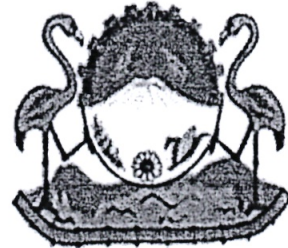
Nairobi

05 July, 2024

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

26 JUN 2024

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**ELBURGON LEVEL 4 SUB-COUNTY HOSPITAL
(NAKURU 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

CECM	County Executive Committee Member
CME	Continuous Medical Education
CSR	Corporate Social Responsibility
EMR	Electronic Medical Records
Fiduciary Management	Key management personnel who have financial responsibility in the Hospital.
HMC	Hospital Management Board
HMT	Hospital Management Team
IPC	Infection Prevention Control
MED SUP	Medical Superintendent
NHIF	National Health Insurance Fund
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
PMTCT	Prevention of Mother to Child Transmission
UoN	University of Nairobi

2. Key Hospital Information and Management

(a) Background information

Elburgon Sub - County Hospital is a level (4) hospital established under gazette notice number 7619 (attached) and is domiciled in Nakuru County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to formulate policies, set standards, provide health services, create an enabling environment and regulate provision of health services delivery.

VISION

To provide an efficient and high-quality health care system that is accessible, equitable and affordable for every Kenyan

MISSION

To promote and participate in the provision of integrated and high quality promotive, preventive, curative and rehabilitative health care services to all Kenyans.

CORE VALUES

- Professionalism
- Integrity
- Customer focused
- Equity and Equality
- Transparency and accountability
- Team work

(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/Departmental Heads

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. George Biketi
2.	Head of finance	Stephen Watene
3.	Head of supply chain	Eustace Rituga
4.	Health Administrative Officer	Nicholas Kiplagat
5.	Nursing Officer In-Charge	Freshiah Njeri Kamau

(e) Fiduciary Oversight Arrangements

The overall oversight responsibility of the hospital rests with the Hospital Board of Management.

Key Hospital Information and Management (continued)

(f) Department of Health Services

Nakuru County Government
P.O. Box 2060- 20100
Club Road,
Regional Commissioner HQs, Block 'B'
NAKURU, KENYA

(g) Elburgon Hospital Contacts

ELBURGON SUB – COUNTY HOSPITAL
P.O. Box 204
ELBURGON, KENYA
Telephone: (+254) 715549580
E-mail: elburgonhosp@yahoo.com
Website: NONE

(h) Hospital Bank(s)


ACCOUNT NAME: ELBURGON NYAYO HOSPITAL
ACCOUNT NO. 01001019332500
BANK: National Bank of Kenya
BRANCH: Molo Branch

(i) Independent Auditors



Auditor General

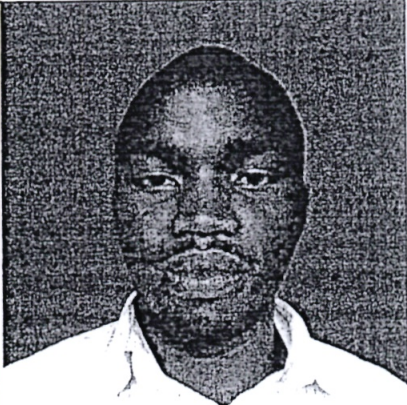


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GPO 00100
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- (j) **Principal Legal Adviser**
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
- (k) **County Attorney**
P.O. Box. 2870-20100
Nakuru, Kenya

3. The Board of Management


Ref.	Directors	Details
1.		<p>Daniel Wamwere Kamau. He is 55 years and a holder of Bachelor of arts in Business Administration as well as Diploma in Divinity. He has a work experience of 30 years</p>
2.	<p>Director 2 (Insert each Director's passport-size photo and name, and key profession/academic qualifications)</p>	<p>Rennison Kirui</p>

*Elburgon Level 4 Sub-County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

3.		<p>Rev. Simon Kimotho is 56 years old and a minister of the church. He is a holder of Dip. In Theology And has Work Experience of 25 years. He is a board member and also sits in the Service Delivery Committee.</p>
4.		<p>James N. Nyarienga, age 77 years, He is a retired civil servant from the police as an assistant commissioner of police, CID department. Board member and sits in the Finance Sub - committee. Work Experience:</p>
5.	MEDICAL SUPERINTENDENT	<p>Dr. George Biketi Age: 39 years Holder of Bachelor of Science in Medicine and BSc in Surgery Work Experience: 12 years</p>

6.		<p>Patrick Mwaura Njuguna. Aged 31 years. Holder of diploma in Business Management and Certificate in Basic Firefighting Level 1 – 4 He is Chairs Quality of Healthcare Service Sub Committee.</p>
7.		<p>Mary Njenga. She is 63 years and a holder of O Level certificate. She is currently a farmer and sits Quality of Healthcare Service Sub Committee.</p>
8.		<p>Margaret Gitonga. She is 64 years and a holder of Diploma in Management. She sits in the Finance Sub - Committee She is a Farmer</p>

*Elburgon Level 4 Sub-County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

9.		<p>Dr. George Biketi Holder of Bachelor of Science in Medicine and Surgery(MBchB) from Moi University</p>
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4. Management Team

Ref.	Management	Details
1.	Dr. George Biketi Holder of Bachelor of Science in Medicine and BSc in Surgery	Med. Supt.
2.	Nicholas KiplangatCherutich	Hospital Administrator
3.	FreshiahNjeri Kamau Holds degree in Nursing	Nursing Officer In- charge
4.	Stephen Watene	Accountant
5.	Eustace Rituga Holds a diploma in Supply Chain	Supply Chain Management Asst.

5. Chairman's Statement

I am greatly delighted as I take this opportunity to present the 2021/2022 annual Report and Financial Statement for Elburgon Sub – County Hospital. The Hospital Board of Management is proud for the great achievements that were made considering that the country was still recovering from the effects of Covid – 19. Winston S. Churchill once said, "Healthy citizens are the greatest asset any country can have." The hospital has been committed to ensure that services rendered are geared towards the maintenance or improvement of health via the prevention, diagnosis, treatment, amelioration, or cure of disease, illness, injury, and other physical and mental impairments in people. I am pleased by the commitment and the enthusiasm that the staffs have exhibited towards giving quality of services to our patient. These services include, Medical Consultations, Mother Child Health, MOPC, Maternity services, Occupational Therapy, Laboratory Services, Dental Services, among others

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 as stipulated by the County government health systems, provides for regulation of health care services and health care service providers, health products and health technologies. The world is evolving technologically and hence this call for continuous quality improvement in healthcare to address the challenges that come with it. This Board focuses on mobilizing resources and supporting those initiatives that will sustain Elburgon Sub – County Hospital as well putting the hospital among the best hospitals providing the best healthcare across the country.

With the achievements made so far, we cannot fail to mention the challenges that have been experienced in the financial year 2021/2022.

1. Shortage of staff which is cutting across all the departments.
2. Land title deed which has hindered any development taking place.
3. Lack of permanent fence which has made the facility prone to intruders.
4. Negative perception that had for long been associated with the facility i.e. the facility has no competent human resources, that the pharmacy lack essential drugs.
5. Rampant cases of many vulnerable people in the sprawling slums of Comrade, Mwatu, Mathuki and to some extent Eastleigh. Having no stable industries around and existing one are at the verge of collapse raising enough cash to sustain the facility it's hard.
6. There's also the case of tribal clashes which has left the division in wanton violence that has led to zero development

We believe that as we get into a new year, some of the challenges will be overcome hence make this hospital a better place to seek health services.

Elburgon Level 4 Sub-County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

On behalf of the Board, I would like to appreciate all our stakeholders especially County Government of Nakuru and all the development partners for their continued support to this 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 all the ElburgonSub-county Hospital staff, Hospital Administration and the Board, who work with much enthusiasm and cohesion, thus exemplifying our hospital's mission and values each day



.....
Collins Simotwo
HMC Chairperson

6. Report of The Medical Superintendent

I am pleased to present the Hospital's annual report and financial statements for the year 2021/2022. The report highlights the hospitals operational and financial performance as well as our strategic direction. The hospital provides specialized healthcare services. To meet our patients' needs, we have specialists' in all disciplines of medical practice who ensure our patients receive safe, timely, equitable, efficient, effective and patient-centred services. In 2021/2022 the hospital attends to both inpatients and outpatients cases. Through the engagement of the CHVs, the hospital has been able to sensitize the local communities through outreaches and open days held within and without the hospitals resulting to increased FIF collection.

Embracing Technology to Advance Patient Care

Elburgon Sub - County hospital uses a fully automate systems to enhance efficiency in services delivery. Payments are done through establish Mpesa system. The hospital has also benefitted from National and County Governments through the introduction of EMR system which has enhanced service delivery.

Effective Communication

Good communication creates a health working relation with a client. The hospital has been receiving feedbacks on areas to improve as far as communication is concerned. This is through community dialogue. Elburgon Sub - County Hospital is putting great emphasis in improvement of communication with our patients, their families and other stakeholders in an effective and timely manner. Our employees are being taken through training on effective communication and customer relation. We have strengthened customer care services and process improvement with a view to enhance patients-care giver engagement.

Financial Review.

In order to meet the cost of operations and maintenance, the hospital relies on internally generated revenue, the largest component being NHIF reimbursement.

Acknowledgment

We are overwhelmed by our clients who upon receiving our services are able to acknowledge the good services being offered. Those who have queries have also gotten a channel to relay the information through the hospital hotline number.



Dr Salome Gachathi

Medical Superintendent

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

Description	Notes	2021/2022
		KShs
Revenue from non-exchange transactions		
Transfers from the County Government	6	
In-kind contributions from the County Government	7	8,089,415
Grants from donors and development partners	8	
Transfers from other Government entities	9	
Revenue from exchange transactions		
Rendering of services- Medical Service Income	10	8,227,938
Total revenue		<u>16,317,353</u>
Expenses		
Medical/Clinical costs	11	10,436,889
Employee costs	12	3,913,419
Board of Management Expenses	13	478,000
Depreciation and amortization expense	14	-
Repairs and maintenance	15	193,400
General expenses	16	3,517,026
Finance costs		
Total expenses		<u>18,538,734</u>
Net Surplus for the year		(2,221,381)

The Hospital's financial statements were approved by the Board on 24/5/24 and signed on its behalf by:


.....

Chairman

Board of Management


.....

Head of Finance

ICPAK No: 16040


.....

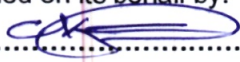
Medical Superintendent

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

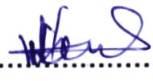
14. Statement of Financial Position as at 30th June 2022

Description	Notes	2021/2022
		KShs
Assets		
Current assets		
Cash and cash equivalents	17	1,000,535
Receivables from exchange transactions	18	104,691
Receivables from non-exchange transactions		
Inventories	19	5,218,177
Total Current Assets		6,323,403
Non-current assets		
Property, plant, and equipment	20	
Intangible assets	21	
Total Non-current Assets		
Total assets		6,323,403
Liabilities		
Current liabilities		
Trade and other payables	22	2,529,755
Refundable deposits from customers/Patients	23	
Total Current Liabilities		2,529,755
Total Non-current liabilities		
Total Liabilities		2,529,755
Net assets		
Revaluation reserve		
Accumulated surplus/Deficit		-2,221,381
Capital fund		6,015,029
Total Net Assets and Liabilities		6,323,403

The Hospital's financial statements were approved by the Board on 24/5/22 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No: 16040

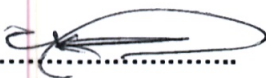


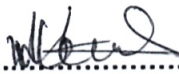
Medical Superintendent

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

	Revaluation reserve	Accumulated surplus/Deficit	Capital	Total
			Fund	
As at July 1, 2020	0	0	0	0
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021	-	-	-	-
At July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus for the year	-	(2,221,381)	-	2,221,381
Capital/Development grants	-	-	6,015,029	6,015,029
At June 30, 2022	-	(2,221,381)	6,015,029	3,793,648

The Hospital's financial statements were approved by the Board on 21/6/22 and signed on its behalf by:


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Chairman
Board of Management


.....
Head of Finance
ICPAK No: 16040


.....
Medical Superintendent

Note: The capital balance comprises donations and funding from the County Government from prior years.

*Elburgon level 4 sub county Hospital (Nakuru County Executive)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

Statement of Cash Flows for The Year Ended 30th June 2022

Description	Note	Insert Current
		FY Kshs
Cashflows from operating activities		
Receipts		
Transfers from the County Government	6	
In- kind contributions from the County Government	7	8,089,415
Grants from donors and development partners	8	
Transfers from other Government entities	9	
Revenue from exchange transactions		
Rendering of services- Medical Service Income	10	8,227,938
Total Receipts		16,317,353
Payments		
Medical/Clinical costs	11	10,436,889
Employee costs	12	3,913,419
Board of Management Expenses	13	478,000
Repairs and maintenance	15	193,400
General expenses	16	3,517,026
Total Payments		18,538,734
Net cash flows from operating activities		(5,014,494)
Cash flows from investing activities		-
Net cash flows used in financing activities		-
Net increase/(decrease)in cash and cash equivalents		(5,014,494)
Cash and cash equivalents as at 1 July 2021	17	6,015,029
Cash and cash equivalents as at 30 June 22	17	1,000,535

The notes set out on pages 1 to 39 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 24/5/22 and signed on its behalf by:


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Chairman
Board of Management

Head of Finance
ICPAK No: 16040

Medical Superintendent

16. Statement of Comparison of Budget and Actual Amounts For The Year Ended 30th 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	
Revenue						
In-kind contribution from the County Government	-	8,089,415	8,089,415	8,089,415	-	100%
Rendering of services- Medical Service Income	8,227,938	-	8,227,938	8,227,938	-	100%
Total income	8,227,938	8,089,415	16,317,353	16,317,353	-	100%
Expenses						
Medical/Clinical costs	1,232,003	8,089,415	9,321,418	10,436,889	(1,115,471)	112%
Employee costs	3,913,419	0	3,913,419	3,913,419	0	100%
Remuneration of directors	478,000	0	478,000	478,000	0	100%
Repairs and maintenance	193,400	0	193,400	193,400	0	100%
General expenses	2,102,742	0	2,102,742	3,517,026	(1,414,284)	167%
Total Expenses	<u>7,919,564</u>	<u>8,089,415</u>	<u>16,008,979</u>	<u>18,538,734</u>	<u>(2,529,755)</u>	
Surplus for the period	-	-	308,374	(2,221,381)		
Capital expenditure	-		-		-	

.....
Chairman
Board of Management

.....
Head of Finance

ICPAK No: 16040

.....
Medical Superintendent

17. Notes to the Financial Statements

1. General Information

Elburgon Sub-county hospital is established by and derives its authority and accountability from PFM Act. The Elburgon Sub-County Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The Elburgon Sub-County Hospital's principal activity is to provide integrated quality services for all.

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 accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Elburgon sub county 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

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30th 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 Hospital'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 Hospital'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 Hospital 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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Hospital; (b) The key features of the operation of those social benefit schemes; and

*Elburgon Level 4 Sub-County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

	(c) The impact of such social benefits provided on the Hospital's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. 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>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>
Other improvements to IPSAS	<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"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p>Applicable 1st January 2025</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 cash flows of an Hospital.</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>Applicable 1st January 2025</p> <p>The Standard requires, 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: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
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ii. Early adoption of standards

The Elburgon Sub-County Hospital did not early – adopt any new or amended standards in the year 2021/2022

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 Elburgon Sub-County Hospital and can be measured reliably.

Revenue from exchange transactions

Rendering of services

The Elburgon Sub-County 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 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 Elburgon Sub-County Hospital.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Elburgon Sub-County Hospital's right to receive payments is established.

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.

b) Budget information

The original budget for FY 2021/2022 was approved by Board on quarterly basis. 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 Hospital upon receiving the respective approvals in order to conclude the final budget. The Elburgon Sub-County 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. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented in these financial statements.

c) Taxes

Sales tax/ Value Added Tax

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

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

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

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Hospital 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.

f) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Hospital. 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 Hospital 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 Hospital 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 Hospital. 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

h) Research and development costs

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

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The hospital determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Hospital has the positive Intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Hospital assesses at each reporting date whether there is objective evidence that a financial asset or an asset of financial assets is impaired. A financial asset of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or amenity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Hospital determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) 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 Hospital.

j) Provisions

Provisions are recognized when the Hospital 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 Hospital 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.

Contingent liabilities

The Hospital 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.

Contingent assets

The Hospital 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 Hospital 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.

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Hospital pays fixed contributions into a separate Hospital (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.

n) 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.

o) 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.

p) Related parties

The Hospital regards a related party as a person or an Hospital 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 directors, the CEO/principal and senior managers.

q) Service concession arrangements

The Hospital 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.

r) 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.

s) Comparative figures

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

t) 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 Hospital'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 Hospital 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 Hospital. 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 Hospital.
- 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.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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6. Transfers From The County Government

Description	2021/22
	KShs
Unconditional grants	
Operational grant	-
Level 5 grants	-
Other grants	-
	-
Conditional grants	
User fee forgone	-
Transforming health services for Universal care project (THUCP)	-
DANIDA	-
Wards Development grant	-
Paediatric block grant	-
Administration block grant	-
Laboratory grant	-
Total government grants and subsidies	-

6(b) Transfers from the County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund	Total grant income during the year
			KShs	KShs
Nakuru County Government	-	-	-	-
Total	-	-	-	-

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7. In Kind Contributions from The County Government

Description	2021/2022
	KShs
Medical supplies-Drawings Rights (KEMSA)	4,820,482
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	3,134,340
Universal health care	134,593
Total grants in kind	8,089,415

8. Grants From Donors and Development Partners

Description	2021/22
	KShs
Cancer Centre grant- DANIDA	-
World Bank grants	-
Paediatric ward grant- JICA	-
Research grants	-
Other grants (<i>specify</i>)	-
Total grants from development partners	-

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

Name of the Entity sending the grant	Amount recognized in Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund	Total grant income during the year
	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-
JICA	-	-	-	-
World Bank	-	-	-	-
Total	-	-	-	-

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9. Transfers From Other Government Entities

Description	2021/22
	KShs
Transfer from National Government (Ministry of Health)	-
Transfer from (NHIF) National Hospital	-
Transfer from institute	-
Total Transfers	-

10. Rendering of Services-Medical Service Income

Description	2021/22
	KShs
Pharmaceuticals	1,864,058
Laboratory	969,760
x-ray	872,220
Inpatient	916,290
Medical Records	1,851,050
Mortuary	747,650
Out-Patient	521,160
Dressing & Non	296,050
Dental	57,150
Occupational Therapy	47,700
Plaster	34,000
Paediatrics	31,050
Family Planning	7,600
Theatre	5,000
Male Ward	2,700
Physiotherapy	2,100
Ambulance	2,000
Injection	400
Total revenue from the rendering of services	8,227,938

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11. Medical/ Clinical Costs

Description	2021/2022
	KShs
Laboratory chemicals and reagents	540,858
Food and Ration	967,356
Dressing and Non-Pharmaceuticals	253,400
Pharmaceutical supplies	349,180
Sanitary and cleansing Materials	48,487
Purchase of Medical gases	144,613
X-RAY	43,580
Donated drugs	8,089,415
Total medical/ clinical costs	10,436,889

12. Employee Costs

Description	2021/22
	KShs
Salaries, wages, and allowances	3,913,419
Contractual Employees	-
Employee costs	3,913,419

13. Board of Management Expenses

Description	2021/22
	KShs
Sitting allowance	478,000
Total	478,000

14. Depreciation And Amortization Expense

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Description	2021/22
	KShs
Property, plant and equipment	-
Intangible assets	-
Investment property carried at cost	-
Total depreciation and amortization	-

15. Repairs And Maintenance

Description	2021/22
	KShs
Property- Buildings	29,900
Medical equipment	21,000
Motor vehicle expenses	142,500
Total repairs and maintenance	193,400

16. General Expenses

Description	2021/22
	KShs
Bank charges	80,240
Purchase of utensils	
Purchase of computer	113,000
Refine fuel	1,733,164
Electricity expenses	460,677
Postal & courier services	
Printing and stationery	744,945
Water and sewerage costs	385,000
Telephone and mobile phone services	-
Total General Expenses	3,517,026

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17. Cash And Cash Equivalents

Description	2021/22
	KShs
Current accounts	1,000,535
Total cash and cash equivalents	<u>1,000,535</u>

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

Description		2021/22
Financial institution	Account number	KShs
a) Current account		
NBK	01001019332500	1,000,535
Equity Bank, etc		-
Sub- total		-
b) On - call deposits		
Kenya Commercial bank		-
		-
Equity Bank – etc		
Sub- total		-
c) Fixed deposits account		
Bank Name		-
Sub- total		-
d) Others(specify)		
cash in hand		
Mobile money- Mpesa, Airtel money		
Sub- total		
Grand total		<u>1,000,535</u>

18. Receivables From Exchange Transactions

Description	2021/22
	KShs
Medical services receivables	104,691
Rent receivables	-
Other exchange debtors	-
Less: impairment allowance	-
Total receivables	104,691

19. Inventories

Description	2021/22
	KShs
Pharmaceutical supplies	2,823,660
Lab Reagents	770,200
Food supplies	21,327
Linen and clothing supplies	1,480,450
Cleaning materials supplies	27,600
General supplies	94,850
Less: provision for impairment of stocks	-
Total	5,218,087

20. Property, Plant and Equipment

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

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Description	Land	Building and CIVIL Works	Motor Vehicles	Furniture, fittings and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30th June 2021	-	-	-	-	-	-	-	-
At July 2021	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30th June 2022	-	-	-	-	-	-	-	-
Net book values								
At 30 th June 2021	-	-	-	-	-	-	-	-
At 30 th June 2022	-	-	-	-	-	-	-	-

Note: The Property, plant and Equipment figure is nil because the County Government is in the process of revaluing the assets.

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21. Intangible Assets-Software

Description	2021/22
	KShs
Cost	
At beginning of the year	-
Additions	-
Additions—Internal development	-
Disposal	-
At end of the year	-
Amortization and impairment	
At beginning of the year	-
Amortization for the period	-
Impairment loss	-
At end of the year	-
NBV	-

22. Trade And Other Payables

Description	2021/22
	KShs
Trade payables	2,529,755
Employee dues	
Third-party payments	
Audit fee	
Doctors' fee	
Total trade and other payables	<u>2,529,755</u>

23. Refundable Deposits from Customers/Patients

Description	2021/22
	KShs
Medical fees paid in advance	-
Credit facility deposit	-

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Rent deposits	-
Others (<i>specify</i>)	-
Total deposits	-

24. Cash Generated from Operations

Description	2021-2022
	KSh
Surplus for the year before tax	(2,221,381)
Adjusted for:	
In- kind contributions from the County Government	
Working Capital adjustments	
Increase in inventory	(5,218,177)
Increase in receivables	(104,691)
Increase in payables	2,529,755
Net cash flow from operating activities	(5,014,494)

25. Financial Risk Management

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

(i) Credit risk

The Hospital 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

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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 Hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Receivables from exchange transactions	104,691	104,691	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	1,000,534.80	1,000,534.8	-	-
Total	1,105,225.8	1,105,225.8	-	-

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 Hospital has significant concentration of credit risk on amounts due from 2021.

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 Hospital's short, medium and long-term funding and liquidity management requirements. The Hospital manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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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.

	Less than 1 month KShs	Between 1-3 months KShs	Over 3 months KShs	Total KShs
At 30 June 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Trade payables	-	-	2,529,755	2,529,755
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	<u>2,529,755</u>	<u>2,529,755</u>

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the Hospital 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 Hospital'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)

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and for the day-to-day implementation of those policies. There has been no change to the Hospital's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

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

	KShs	Other currencies	Total
	KShs	KShs	KShs
At 30 June 2021			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	KShs	Other currencies	Total
	KShs	KShs	KShs
At 30 June 2022			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	2,529,755	-	2,529,755
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on Equity
	KSIS	KSIS	KSIS
2021			
Euro	10%	-	-
USD	10%	-	-
2022			
Euro	10%	-	-
USD	10%	-	-

Interest rate risk

Interest rate risk is the risk that the Hospital'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.

Sensitivity analysis

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

iv. Capital Risk Management

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

	Kshs	Kshs
Revaluation reserve	-	
Retained earnings	(2,221,381)	
Capital reserve	-	
Total funds	(2,221,381)	
Less: cash and bank balances	1,000,534	
Gearing	(1,220,847)	

26. Related Party Balances

Nature of related party relationships

Entities and other parties related to the Hospital 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.

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

Description	2021/22
	Kshs
Transactions with related parties	
a) Services offered to related parties	
Services	-
Sales of services	-
Total	-

18. 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 (If resolved when you expect the issue to be resolved)
No issue is pending				

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Hospital responsible for the implementation of each issue.

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(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



Accounting Officer

APPENDIX II: Projects Implemented by Elburgon Sub-county hospital.

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period	Donor	Separate	Consolidated
			start/end	name	reporting	financial
					required	statements
					as per the	(Yes/No)
					donor	
					agreement	
					(Yes/No)	
1 OUTPATIENT BLOCK-Kshs 38,075,070	N/A	County Government	2020/2021	N/A	No	No