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REPORT

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THE AUDITOR-GENERAL

ON

TSEIKURU LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF KITUI



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Tseikuru Level 4 Hospital (Kitui County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

COPIES OF THIS REPORT AND FINANCIAL STATEMENTS
ARE AVAILABLE FOR VIEWING AT THE OFFICE OF THE
AUDITOR GENERAL, P.O. BOX 30084, NAIROBI.
DATE: 18/09/24
M. Leader
[Signature]

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
SCMA	Supply Chain Management Assistant
HRIO	Health Records & Information Officer
OSHA	Occupational Health & Safety Act
MET	Medical Engineer Technologist
PHO	Public Health Officer
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Tseikuru Hospital is a sub-county hospital established under gazette notice number 786 and is domiciled in Kitui County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity of the hospital is to provide health services to the people of Kitui and Government of Kenya as a whole. The vision is to have a community with healthy residents that embrace preventive healthcare and have access to affordable and equitable healthcare services. The mission of the hospital is providing accessible, affordable quality healthcare services to all through strengthening health care systems, scaling up health interventions, partnership and innovation and empowering communities to foster sustainable social and economic growth.

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance	-Peter Mwikya Kilonzo
2.	Chief Officer Finance	-CPA John Kimwele
3.	CECM Health	-Ruth Koki
4.	Chief Officer Health	-Dr. Benson Musyoka
5.	Medical Superintendent	-Dr. Isaac Musili

(e) Fiduciary Oversight Arrangements

- ✓ Kitui County Assembly Public Investment and Accounts Committee
- ✓ Kitui County Assembly County Budget and Appropriation Committee
- ✓ Kitui County Assembly Finance and Economic Planning Committee
- ✓ Kitui County Budget and Economic Forum
- ✓ Controller of Budget
- ✓ National Treasury

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 613-90400
TSEIKURU
MWINGI

(g) Entity Contacts

Telephone: (+254) 713116269
E-mail: tseikurusubdistrict@yahoo.com
Website: www.kitui.go.ke

(h) Entity Bankers

Commercial Banks (*Kenya Commercial Bank*)

(i) Independent Auditors

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


(j) Principal Legal Adviser

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




(k) County Attorney

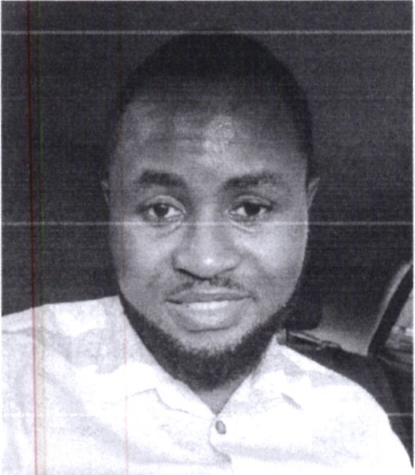
P.O. Box.33-90200
KITUI, Kenya

3. The Board of Management

Ref	Directors	Details
1.	John Maluki Ngoru	Chaiperson
2.	Stephen Matei	Sub County Administrator
3.	Josphat Mwendwa Mukiti	Representative, Business Community
4.	Titus Kyalo Ngui	Representative, Professional Groups
5.	Mary Maiu Muisyo	Representative, Active Women Groups
6.	Robert Musembi	Representative, Dominant Faith Based Organizations (FBOs)
7.	Ndanu John	Representative, Youth through National Youth Council
8.	Syengo Kirugi	Representative, People living with Disability (PLWDs)
9.	 Dr. Isaac Musili Board Secretary	D.o.B 31/03/1994 Bachelor of Medicine and Bachelor of Surgery, UoN (2019)

4. Key Management Team

Ref	Management	Details
1.	 Dr. Isaac Musili Medical Superintendent	D.o.B 31/03/1994 Bachelor of Medicine and Bachelor of Surgery, UoN (2019)
2.	 Dennis Mwaniki Health Administrative Officer	D.o.B 01/07/1993 Bachelor of Business and Information Technology
3.	 John Ndambuki Nursing Officer in Charge	D.o.B 02/10/1977 Bachelor of Science in Nursing

4.	 <p>Teddy Kyalo Accountant</p>	<p>D.o.B 28/05/1991 Bachelor of Commerce (Accounting) CPA Finalist</p>
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5. Chairman’s Statement

Tseikuru Sub County Hospital has continued to operate optimally during the financial year ended 30th June 2023 to actualize its potential as a health service provider in Mwingi North Sub County, Kitui County. However, during the financial year 2022-2023 the hospital has experienced some challenges as indicated below.

- a) Late disbursement of funds to the hospital by the County Government of Kitui;
- b) Staffing needs not adequately met by the County both medical and administrative;
- c) Insufficient funding from the County Government of Kitui;
- d) Huge amounts of accumulated claims not paid by NHIF;
- e) Inadequate medical supplies thus reducing patients’ workload due to reduced trust from the Hospital side; among many more.

In this regard, the Hospital proposes the following going forward

- Request for additional funding from the County Government of Kitui so as to be able to meet debts as and when they fall due;
- Request timely disbursement of funds from the County Government of Kitui;
- Request for additional staff from the County Government of Kitui for an optimal staff establishment;
- Conduct follows ups with NHIF to have claims settled in time; and
- Request for optimal medical supplies from the County Government of Kitui;

In conclusion, despite the challenges faced by Tseikuru Sub County Hospital the Board of Management is optimistic that the hospital will serve the patient effective and efficient manner in its quest to provide quality medical services within the Sub-County.

.....

Name

Chairman to the Board

6. Report of The Medical Superintendent

Establishment and Operations of Tseikuru Sub-County Hospital

Tseikuru Hospital is a sub-county hospital established under gazette notice number 78 and is domiciled in Mwingi North Sub-County in Kitui County under the Health Department. The hospital is governed by a Board of Management.


During the year ended 30th June 2023 the disbursements made to Tseikuru Sub-County Hospital were Ksh. 9,370,081 against the budgeted Ksh. 9,600,000 leading to a negative variance of Ksh. 229,919. As the Hospital, we experienced some challenges as noted above by the Chairperson of the Board and were looking forward to work closely with the County Government in finding solutions for them.

Organization structure of Tseikuru Sub-County Hospital

The Board is composed of the Board members and the secretary to the Board. The members are appointed and gazetted by the County Executive Committee Member for Health and Sanitation under section 5 of the Kitui County Health Facilities Management Committees Act, 2014 and are tasked with management and approval of the budget estimates while the secretary implements the budgets by undertaking the day-to-day activities at the Hospital.

Functions of Tseikuru Sub-County Hospital

The principal activity of the Tseikuru Sub-County Hospital is to provide health services to the people of Kitui and the Government of Kenya as a whole. The vision is to have a community with healthy residents who embrace preventive healthcare and have access to affordable and equitable healthcare services. The mission of the hospital is to provide accessible, affordable quality healthcare services to all through strengthening healthcare systems, scaling up health interventions, partnership and innovation and empowering communities to foster sustainable social and economic growth.


.....
Name *Isaac Musili*
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

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

TSEIKURU Sub-County Hospital did not have strategic pillars/ themes/issues and objectives within the current Strategic Plan.

8. Corporate Governance Statement

The current Board of Management for Tseikuru Sub County Hospital was gazetted on 25th June 2021 as per Kenya Gazette Notice Number 6317.

The functions of the board of management include:

- a. Supervise and control the administration of funds allocated to the hospital;
- b. Through minutes, request the CECM to open and operate a bank account;
- c. Make sure the basic books of accounts for the Hospital are kept;
- d. Making sure records of accounts for income and expenditure and assets and liabilities are kept;
- e. Provide oversight to the hospital; among others

A member shall be added or removed according to the existing regulations on establishment of boards of management.

Remuneration of the board members is as advised by SRC.

Generally, the hospital operates as per the set Terms of Reference concerning the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a Board charter, process of appointment and removal of Board members, roles and functions of the Board, induction, and training, Board and member performance, conflict of interest, board remuneration, ethics, and conduct as well as governance audit


9. Management Discussion and Analysis

Below is a consolidated summary of income and expenditure for the last 2 financial years

FINANCIAL YEAR	2021/2022	2022/2023
	Kshs.	Kshs.
Income From County	8,291,170	9,370,081
Income From Rendering Services	4,905,883	6,386,365
Expenditure	13,329,124	15,157,874
Difference	(132,071)	598,572

This amount sent by the County Government was utilized as per the agreed budget in running of day-to-day operations of the hospital.

Revenue collected from provision of medical services for the FY 2022/2023 amounted to Kshs. 6,356,365. Ksh. 5,711,865 of the total revenue generated was however transferred to The Kitui County Revenue Collection Account as per the existing standing orders.


.....
Name *Isaac Musili*
Secretary to the Board

10. Environmental And Sustainability Reporting

Tseikuru Sub-County Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the welfare of the patient first in delivering health services. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The hospital has planted trees in the hospitals compound to improve environmental sustainability of the region

ii) Environmental performance

The area around the hospital receives fair amount of rainfall.

iii) Employee welfare

The hospital operates as per the set Human Resource Policies borne by County and International levels.

iv) Market place practices-

The following can be stated in relation to Tseikuru Sub County Hospital:

a) Responsible competition practice.

The organization is in existence to provide medical health services to the community and within the Mwingi North Sub County with no motive of making profits.

b) Responsible Supply chain and supplier relations

The hospital is equipped with experienced supply chain staff who coordinates with reliable suppliers to bring good and offer services as per the contracts given and prepare documents for payment processing.

c) Responsible marketing and advertisement

No advertisements are done but the hospital maintains good customer care services

d) Product stewardship

Mechanisms are put in place to make sure the services are offered by the facility in an effective and efficient manner.

v) Corporate Social Responsibility / Community Engagements

Since the Covid 19 hit the country and also due to inadequate funding by the county government the Hospital minimized its CSR activities due to its effects and on the verge to continue with the engagement with the community.

11. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2023, which show the state of the Tseikuru Sub-County Hospital affairs.

Principal activities

The principal activities of the entity are provision of quality medical health care services to the patients, patients support and administration.

Results

The results of the entity for the year ended June 30, 2023 are set out on page 1 to page 5

Board of Management

The members of the Board who served during the year are shown on page vii. During the year no director retired/ resigned and there was no additional one appointed.

Auditors

The Auditor General is responsible for the statutory audit of Tseikuru Sub-County Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of Tseikuru Sub-County Hospital for the year ended June 30th June 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



.....
Name *Isaac Musili*
Secretary to the Board

12. Statement of Board of Management's Responsibilities

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

The Board of Managements responsible for the preparation and presentation of the Hospital's financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2023, and of the Hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Hospital, which have been relied upon in the preparation of the Hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

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

.....
Name:
Chairperson
Board of Management


.....
Name: Isaac Musiti
Accounting Officer
Tseikuru Level 4 Hospital

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TSEIKURU LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF KITUI

PREAMBLE

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

- A. Report on the Financial Statements which considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations which 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 the 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 Tseikuru Level 4 Hospital - County Government of Kitui set out on pages 1 to 30, which comprise of the statement of

Report of the Auditor-General on Tseikuru Level 4 Hospital for the year ended 30 June, 2023 - County Government of Kitui

financial position as at 30 June, 2023, the statement of financial performance, the 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 the Tseikuru Level 4 Hospital - County Government of Kitui as at 30 June, 2023, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and complies with the County Government Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

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

The statement of financial performance reflects employee costs of Kshs.1,800,000 for casuals and contractual staff as disclosed in Note 9 to the financial statements. The Hospital received services from twenty-two (22) medical staff employed and paid by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.1,800,000 could not be confirmed.

2. Non-Disclosure of Donated Drugs

The statement of financial performance did not disclose grants from donors and development partners. However, distribution data from Kenya Medical Supplies Authority (KEMSA) revealed that the Hospital received donations and program commodities drugs amounting to Kshs.4,273,417 and Universal Health Coverage of Kshs.94,414 but were not disclosed in the financial statements.

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

3. Unconfirmed Inventory Balance

The statements of financial position reflect Nil inventory balance as disclosed in Note 17 to the financial statements. There was evidence of conducting the annual stock take to confirm the quantities but the values and status of closing inventory balances as at 30 June, 2023 were not provided.

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

4. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil property, plant and equipment balance as disclosed in Note 18 to the financial statements. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

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

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

Key Audit Matters

Key audit matters are those matters which, 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.

Other Matter

Unresolved Prior Year Audit Matters

In the prior year audit report, issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given an explanation for failure to resolve the issues.

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 matter 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

Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by 79 staff requirements or 78 % of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	2	14	88
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	20	55	73
Total	101	22	79	78

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	1	1	50
New Born Unit Incubators	5	2	3	60
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	2	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 Hospital will not be able to deliver on its mandate.

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, which 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, 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. Non-Functional Hospital Management Committee

The statement of financial performance and as disclosed in Note 11 to the financial statements reported Nil balance in respect of Board of Management expenses. However, the Board of Management that is supposed to direct the Hospital in achieving its strategic objectives was constituted but only met twice in the year under review. Further, the County Executive Committee Member Health vide Gazette Notice Number 13546 dated 25 August, 2023 revoked the appointment of all Hospital Management Committees without replacement. As a result, the annual report and the financial statements for the year ended 30 June, 2023 have not been signed off by the Chairman of the Hospital Board in accordance to the reporting framework prescribed for Public Sector Accounting Standards Board (PSASB) accrual basis of accounting.

In the circumstances, the Hospital will not achieve its strategic objectives.

2. Failure to Maintain Fixed Assets Register

The statement of financial position reflects Nil balances in respect of property, plant and equipment as disclosed in Note 18 to the financial statements. However, it was noted that the Hospital does not maintain a comprehensive fixed asset register to control its assets. This is contrary to Regulation 136(1) of the Public Finance Management (County

Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the Hospital has ever evaluated its assets to ascertain the correct market values.

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

3. Expiry of Medical Supplies

The statement of financial position reflects Nil inventory balance as disclosed in Note 17 to the financial statements. Review of the store records on pharmaceuticals and non-pharmaceuticals revealed that one thousand eight hundred and twenty-three (1,823) units of various drugs of undetermined value had expired.

In the circumstances, the effectiveness of internal controls on the management of pharmaceuticals and non-pharmaceuticals 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 controls as Management determines is necessary to enable the preparation of financial statements which 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 operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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 which 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 which 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.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 control would not necessarily disclose all matters in the internal control which 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 misstatement caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 which 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 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 which 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 which are identified during the audit.

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 June, 2024

TSEIKURU LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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


Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	9,370,081	8,291,170
		9,370,081	8,291,170
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	6,386,365	4,905,883
Revenue from exchange transactions		6,386,365	4,905,883
Total revenue		15,756,446	13,197,053
Expenses			
Medical/Clinical costs	8	3,036,900	1,924,800
Employee costs	9	1,800,000	1,208,000
Repairs and maintenance	10	827,715	1,308,050
Board of Management Expenses	11	-	14,500
General expenses	12	3,781,394	3,967,891
Refunds to the County Government	13	5,711,865	4,905,883
Total expenses		15,157,874	13,329,124
Net Surplus / (Deficit) for the year		598,572	(132,071)

The notes set out on pages 6 to 30 form an integral part of the Annual Financial Statements.

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: 21239


.....
Medical Superintendent
Tseikuru Level 4 Hospital

TSEIKURU LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023

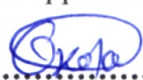
15. Statement of Financial Position As At 30th June 2023


Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	66,544	25,422
Receivables from exchange transactions	15	674,500	
Receivables from non-exchange transactions	16	700,000	
Inventories	17	-	
Total Current Assets		1,441,044	25,422
Non-current assets			
Property, plant, and equipment	18		
Total Non-current Assets			
Total assets			
Liabilities			
Current liabilities			
Trade and other payables	19	974,543	
Total Current Liabilities		974,543	
Non-current liabilities			
Total Non-current liabilities			
Total Liabilities		974,543	
Net assets			
Revaluation reserve		-	
Accumulated surplus/Deficit		466,501	
Capital Fund		-	
		466,501	25,422
Total Net Assets and Liabilities		1,441,044	25,422

The notes set out on pages 6 to 30 form an integral part of the Annual Financial Statements.

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: 21239


.....
Medical Superintendent
Tseikuru Level 4 Hospital

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

Description	Accumulated surplus/Deficit	Total
As at July 1, 2021	-	-
Revaluation gain	-	-
Surplus/(deficit) for the year	(132,071)	(132,071)
Capital/Development grants	-	-
As at June 30, 2022	(132,071)	(132,071)
At July 1, 2022	(132,071)	(132,071)
Revaluation gain	-	-
Surplus/(deficit) for the year	598,572	598,572
Capital/Development grants	-	-
At June 30, 2023	466,501	466,501

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

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		9,207,821	8,291,170
Rendering of services- Medical Service Income		5,711,865	4,905,883
Total Receipts		14,919,686	13,197,053
Payments			
Medical/Clinical costs		3,034,650	1,924,800
Employee costs		1,694,400	1,208,000
Repairs and maintenance		744,210	1,308,050
Board of Management Expenses		-	14,500
General expenses		3,535,946	3,967,891
Refunds to the County Government		5,711,865	4,905,883
Total Payments		14,721,071	13,329,124
Net cash flows from operating activities	20	198,615	(132,071)
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets			
Net cash flows used in investing activities			
Cash flows from financing activities			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		198,615	(132,071)
Cash and cash equivalents as at July 1, 2022	14	(132,071)	-
Cash and cash equivalents as at June 30, 2023	14	66,544	(132,071)

18. Statement of Comparison of Budget and Actuals for Year Ended 30 June 2023

	Original budget	Adjustment s	Final budget	Actual on comparabl e basis	Performanc e difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	f=d/c
Revenue						
Transfers from the County Government	9,600,000	-	9,600,000	8,670,081	929,919	90%
Rendering of Services	6,386,365	-	6,386,365	5,711,865	674,500	89%
Total Income	15,986,365	-	15,986,365	14,381,946	1,604,419	90%
Expenses						
Medical / Clinical Costs	3,100,000	-	3,100,000	3,036,900	63,100	98%
Employee Costs	1,800,000	-	1,800,000	1,800,000	-	100%
Repairs and Maintenance (Buildings)	900,000	-	900,000	827,715	72,285	92%
General expenses	3,800,000	-	3,800,000	3,781,394	18,606	100%
Refunds to the County Government	6,386,365	-	6,386,365	5,711,865	674,500	89%
Total Expenditure	15,986,365	-	15,986,365	15,157,874	828,491	95%
Surplus for the period	-	-	-	(775,928)	775,928	-100%
Capital Expenditure	-	-	-	-	-	

Budget notes

The difference between the final budget and actual on comparable basis (Ksh, 1,604,419) was funds not disbursed to the Hospital in the financial year as budgeted. For the transfers from the county, there was Ksh. 700,000 accrued.

19. Notes to the Financial Statements

1. General Information

Tseikuru Sub County Hospital was established by and derives its authority and accountability from The Medical Practitioners and Dentists Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide medical healthcare within and outside its subcounty.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 18. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>Tseikuru Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social</p>

Standard	Effective date and impact
	<p>benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>Tseikuru Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>Tseikuru Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p>

TSEIKURU LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Standard	Effective date and impact
	<ul style="list-style-type: none"> IPSAS 29: <i>Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p><i>Tseikuru Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>

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

Standard	Effective date and impact
IPSAS 43	<p>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 cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>Tseikuru Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires:-</p> <ol style="list-style-type: none"> i. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <p><i>Tseikuru Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>

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 hospital and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from the 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.

b. Budget information

The original budget for FY 2022/2023 was approved by the Board at the start of the Financial Year. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the hospital did not have any additional appropriations in the FY budget following the Board's approval. The Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an 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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 1 under section 14 of these financial statements.

c. Taxes

Value Added Tax, PAYE, Withholding 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. Property, plant and equipment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

e. Inventories

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

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

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

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

f. Related parties

The Hospital regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the hospital, or vice versa. Members of key management are regarded as related parties and comprise the directors, the board of management members, and the medical superintendent who is the manager of the hospital.

g. Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the hospital recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than

'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

h. 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.

i. Comparative figures

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

j. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Notes to the Financial Statements (Continued)

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

Notes to Financial Statements (Continued)

6. Transfers from the County Government

Description	2022/2023	2021/2022
	KShs	KShs
Operational grant	9,370,081	8,291,170
Total government grants and subsidies	9,370,081	8,291,170

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2021/2022
	KShs	KShs			
			KShs	KShs	KShs
Kitui County Government	9,370,081	-	-	9,370,081	8,291,170
Total	9,370,081	-	-	9,370,081	8,291,170

7. Rendering of Services-Medical Service Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Pharmaceuticals	321,655	297,810
Inpatient	511,358	498,448
Laboratory	178,750	97,100
Registration and Files	281,135	325,625
NHIF Services	1,225,550	1,350,800
Physiotherapy	7,100	8,100
Deliveries	1,996,000	1,849,500
Antenatal Services	521,800	478,500
Other medical services income Capitation	1,343,017	-
Total revenue from the rendering of services	6,386,365	4,905,883

Notes to Financial Statements (Continued)

8. Medical/ Clinical Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Laboratory chemicals and reagents	602,750	544,000
Food and Ration	2,036,900	1,204,800
Dressing and Non-Pharmaceuticals	-	160,000
Sanitary and cleansing Materials	397,250	-
Total medical/ clinical costs	3,036,900	1,908,800

9. Employee Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries, wages, and allowances	1,800,000	1,260,000
Staff Allowances	-	231,500
Employee costs	1,800,000	1,491,500

10. Repairs And Maintenance

Description	2022/2023	2021/2022
	Kshs	Kshs
Property- Buildings	495,335	675,060
Medical equipment	-	130,000
Motor vehicle expenses	332,380	433,600
Total repairs and maintenance	827,715	1,238,660

11. Board of Management Expense

Description	2022/2023	2021/2022
	Kshs	Kshs
Sitting allowance	-	14,500
Total	-	14,500

Notes to Financial Statements (Continued)

12. General Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Bank charges	4,089	-
Electricity expenses	510,000	430,000
Fuel and Lubricants	1,250,000	1,520,000
Travel and accommodation allowance	527,050	-
Office running expenses	-	294,850
Other Fuels (Charcoal)	538,000	272,000
Printing and stationery	623,525	775,350
Water and sewerage costs	328,730	609,740
Total General Expenses	3,781,394	3,901,940

13. Refunds to The County Government

Description	2022/2023	2021/2022
	KShs	KShs
Transfer to the County Government	5,711,865	4,905,883
Total transfers to County Government	5,711,865	4,905,883

14. Cash And Cash Equivalents

Description	2022/2023	2021/2022
	KShs	KShs
Current accounts	66,544	(132,071)
Total cash and cash equivalents	66,544	(132,071)

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

Description		2022/2023	2021/2022
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1156757614	66,544	25,422
Kenya Commercial bank	1156757428	-	-
Total		66,544	25,422

Notes to Financial Statements (Continued)

15. Receivables From Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Medical Services Receivables	674,500	-
Total receivables	674,500	-

15 (a). Analysis of Receivables From Exchange Transactions

Description	2022/2023		2021/2022	
	Kshs	% of the total	Kshs	% of the total
	2022/2023	% of the total	2021/2022	% of the total
Less than 1 year	674,500	100%		%
Total	674,500	100%		%

16. Receivables From Non-Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Transfers from the County Government	700,000	-
Total	700,000	-

16 (a) Analysis of Receivables From Non-Exchange Transactions

Description	2022/2023		2021/2022	
	Kshs	% of the total	Kshs	% of the total
	2022/2023	% of the total	2021/2022	% of the total
Less than 1 year	700,000	100%		6.59%
Total (a+b)	700,000	100%		%

17. Inventories

Description	2022/2023	2021/2022
	KShs	KShs
Pharmaceutical supplies		
Total		

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Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2023 (previous year)								
Additions								
Disposals								
Transfers/adjustments								
At 30th Jun 2023								
At 1 July 2023 (current year)								
Additions								
Disposals								
Transfer/adjustments								
At 30th Jun 2023								
Depreciation and impairment								
At 1 July 2023 (previous year)								
Depreciation for the year								
Disposals								
Impairment								
At 30 June 2023								

TSEIKURU LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At July 2023 (current year)								
Depreciation								
Disposals								
Impairment								
Transfer/adjustment								
At 30th June 2023								
Net book values								
At 30 th Jun 2023 (previous)								
At 30 th Jun 2023 (current)								

TSEIKURU LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
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Notes to the Financial Statements (Continued)

19. Trade and other Payables

Description	2022/2023		2021/2022	
	KShs		KShs	
Trade payables	974,543			
Total trade and other payables	974,543			
Ageing analysis:	2022/2023	% of the Total	2021/2022	% of the total
Under one year	974,543	100%		%
1-2 years		%		%
2-3 years		%		%
Over 3 years		%		%
Total	974,543	100%		%

20. Cash Generated from Operations

Description	2022/2023	2021/2022
	KShs	KShs
Surplus for the year before tax	598,572	(132,071)
Adjusted for:		
Depreciation		
Non-cash grants received		
Working Capital adjustments		
Increase in inventory		
Increase in receivables	(1,374,500)	
Increase in payables	974,543	
Net cash flow from operating activities	198,615	(132,071)

Notes to the Financial Statements (Continued)

21. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances	25,422	25,422		
Total				
At 30 June 2023				
Receivables from exchange transactions	674,500	674,500		
Receivables from –non-exchange transactions	700,000	700,000		
Bank balances	66,544	66,544		
Total	1,441,044	1,441,044		

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Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2023				
Trade payables	974,543			974,543
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total	974,543			974,543

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2023			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2023			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2023 (previous year)			
Euro	10%		
USD	10%		
2023 (current year)			
Euro	10%		
USD	10%		

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2023: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (2023 – KShs xxx).

iv) Capital Risk Management

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

Description	2022/2023	2021/2022
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/ (<i>excess cash and cash equivalents</i>)		
Gearing		

Notes to the Financial Statements (Continued)

22. Related Party Balances

Nature of related party relationships

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

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

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

Description	2022/2023	2021/2022
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to NHIF	674,500	
Sales of services		
Total		
b) Grants from the Government		
Grants from County Government	700,000	
Grants from the National Government Entities		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees		
Payments for goods and services		
Total		
d) Key management compensation		

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Description	2022/2023	2021/2022
	Kshs	Kshs
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
Total	1,374,500	

23. Segment Information

The Hospital operates in Mwingi North Sub-County, Kitui County

24. Events after the Reporting Period

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

25. Ultimate and Holding Entity

The Hospital is a Semi- Autonomous County Government Agency under the Ministry of Health. Its ultimate parent is the County Government of Kitui.

26. Currency

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

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20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Errors on Presentation and Disclosures of Financial Statement	The hospital management will ensure all the information to be included in the Financial Statements for the subsequent Financial Years is captured and reported accordingly.	Not Resolved	Jun-24
2	Non-Disclosure of Property, Plant and Equipment	The management is committed to communicate with the ministry to perform revaluation process for the Assets.	Not Resolved	Jun-24
3	Undisclosed Long Outstanding Trade Payables	The management has taken note of this gap and records for Trade and Other Payables will be reported accordingly in the Annual Reports and Financial Statements in the subsequent financial years.	Not Resolved	Jun-24
4	Unsupported Revenue from Exchange Transactions	The management to do a complete reconciliation and provide the support for the Revenue from Exchange Transactions.	Not Resolved	Jun-24
5	Non - Compliance with requirements in Universal Health Care	The hospital management is doing a follow-up with the County Government of Kitui to ensure full compliance and meet the requirements of the Kenya Quality Model for Health	Not Resolved	Jun-24

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6	Weakness in Inventories Management	The hospital management is following up on proper disposal of the expiries through the ministry and looking for convenient and adequate storage spaces for medical products.	Not Resolved	Jun-24
7	Failure to Maintain an Asset register	The hospital management is making a follow-up with the ministry to ensure asset valuation is performed, copies of the same and ownership documents domiciled in the Hospital.	Not Resolved	Jun-24
8	Lack of Risk Management Policy	The management has taken note of observation and will ensure a risk management strategy is developed and also internal control that builds robust business operations.	Not Resolved	Jun-24



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Accounting Officer

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Appendix II: Inter-Entity Confirmation Letter

Tseikuru Sub County Hospital,
P.O. BOX 613-90400
Mwingi

The Tseikuru Level 4 Hospital wishes to confirm the amounts disbursed to the hospital as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by County Treasury – Kitui County as at 30th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by the County Treasury of Kitui (Kshs) as at 30th June 2023			Total (D)=(A+B+C)	Amount Received by Tseikuru Level 4 Hospital (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)			
REC/0001076196	17-08-22	800,000	-	-	800,000	800,000	-
REC/0001077065	29-09-22	800,000	-	-	800,000	800,000	-
REC/0001078018	24-10-22	800,000	-	-	800,000	800,000	-
REC/0001078972	21-11-22	800,000	-	-	800,000	800,000	-
REC/0001080576	23-12-22	800,000	-	-	800,000	800,000	-
REC/0001080575	31-01-23	800,000	-	-	800,000	800,000	-
REC/0001082210	1/2/2023	800,000	-	-	800,000	800,000	-
REC/0001083534	13-03-23	800,000	-	-	800,000	800,000	-
REC/0001084264	30-03-23	800,000	-	-	800,000	800,000	-
REC/0001085448	28-04-23	800,000	-	-	800,000	800,000	-
REC/0001087193	9/6/2023	670,081	-	-	670,081	670,081	-
REC/0001088812	3/7/2023	700,000	-	-	700,000	-	700,000
Total		<u>9,370,081</u>	-	-	<u>9,370,081</u>	<u>8,670,081</u>	<u>700,000</u>

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

Head of Accounts Department of the beneficiary entity:

Name Teddy Kyalo Sign [Signature] Date 28/09/23

