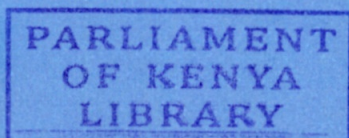


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

MAKINDU LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF MAKUENI



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.
17 JUN 2024
RECEIVED



**MAKINDU LEVEL 4 HOSPITAL
(Makueni 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)

DATE	17/09/24
TABLED BY	M. leader
COUNTY	—
COMMITTEE	Chemp

Table of Contents

I.	Key Entity Information and Management.....	iv
II.	The Board of Management.....	vii
III.	Management Team.....	viii
IV.	Chairman’s Statement.....	ix
V.	Report of The Chief Executive Officer.....	xii
VI.	Statement of Performance Against Predetermined Objectives.....	xiv
VII.	Corporate Governance Statement.....	xv
VIII.	Management Discussion and Analysis.....	xv
IX.	Environmental and Sustainability Reporting.....	xix
X.	Report of The Board of Management.....	xxii
XI.	Statement of Board of Management’s Responsibilities.....	xxiii
XII.	Report of the Independent Auditor (Office of the Auditor General).....	xxiv
XIII.	Statement of Financial Performance for The Year Ended 30 June 2022.....	1
XIV.	Statement of Financial Position as of 30 th June 2022.....	3
XV.	Statement of Changes in Net Asset for The Year Ended 30 June 2022.....	5
XVI.	Statement of Cash Flows for The Year Ended 30 June 2022.....	6
XVII.	Statement of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022.....	8
XVIII.	Notes To the Financial Statements.....	10

I. Key Entity Information and Management

(a) Background information

Makindu Sub-county Hospital is a level 4 hospital established under gazette notice number 4 of January 1989. The facility is registered under Medical Practitioners and Dentists Act (Cap 253) and her registration number is GK-008140. She is domiciled in Makueni County under the health Department. The hospital is governed by a Board of Management comprised of 6 community representatives, 3 ex-officials (Subcounty administrator, SCMOH and Deputy county commissioner) and the medical superintendent as secretary. The board has two main subcommittees namely: Primary healthcare and quality subcommittee, and Finance and general-purpose subcommittee.

Daily operations are carried out through hospital management team comprised of 34-unit heads. On financial matters, the hospital executive expenditure committee (top organ of HMT) comprising the Medical superintendent, hospital health administrator, procurement officer, accountant, nursing manager and hospital pharmacist prioritize activities and prepare budgets for approval by the hospital board.

(b) Principal Activities

The principal activity/mission/ mandate of the *hospital* is to provide curative, rehabilitative and promotive health services.

Vision

A unique and exemplary hospital in public healthcare service provision

Mission

To bring hope and satisfaction to our clients by providing compassionate and empathic health services that are safe, timely and responsive to their needs.

Core objectives

Health Pillar	Strategic Objectives
<i>Service Delivery</i>	<ol style="list-style-type: none"> 1. Strengthen service integration 2. Improve quality of services & amenities 3. Reduce waiting time and duration of inpatient stay 4. Strengthen waste management and IPC
<i>Health Workforce (Staffing)</i>	<ol style="list-style-type: none"> 1. Reduce staffing gap 2. Increase individual productivity 3. Adopt positive attitude and good interpersonal relations 4. Strengthen team work, individual and collective responsibility
<i>Medical Products and Technologies</i>	<ol style="list-style-type: none"> 1. Bridge supply gaps 2. Reduce wastage, pilferage and theft 3. Strengthen rational drug use 4. Introduce new commodities and services e.g., eye drugs, culture & sensitivity testing
<i>Health Information</i>	<ol style="list-style-type: none"> 1. Improve records management 2. Strengthen accurate documentation and reporting

	3. Adopt factual (use of data) decision making
<i>Financing</i>	1. Harmonize and review service costing 2. Increase revenue generation 3. Reduce inappropriate waivers and exemptions
<i>Stewardship</i>	1. Develop capacity on managerial skills e.g., mentorship 2. Strengthen departmental supervision activities 3. Evaluate and streamline critical system processes 4. Strengthen collaboration with partners and other sectors

(c) Key Management

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

- County department of health
- Board of Management/Hospital management committee
- Accounting Officer/ Medical Superintendent
- Hospital executive expenditure committee
- Hospital management committee

(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. Patrick Mutinda
2.	Health Administrative Officer	Mr. Lawrence Mulungye
3.	Nursing Officer In-charge	Mr. Damiano Muriuki
4.	Head of finance	Mrs. Christine Mutuku
5.	Head of supply chain	Mr. Daniel Musili

(e) Fiduciary Oversight Arrangements

The hospital has in place fiduciary oversight arrangements. During budgeting, the hospital management team meets to discuss hospital operations and identify areas that need investments. The hospital executive expenditure committee then prioritizes activities during budget preparation guided by resource envelope. The Hospital management committee subcommittees then meet to deliberate matters under their respective mandate. The subcommittees table their reports before a full HMC meeting where budget is approved. Approved budget is defended before a panel at the office of the chief officer health services.

Any expenditure is originated through a requisition form filled in by the user department. The requisition is usually approved either by the medical superintendent or health administrator in his absence. After approval, the requisition is submitted to procurement department for processing. Subsequently it is submitted to accounts department for confirmation of availability of funds. Requisition form is a mandatory part of documentation in payment vouchers. Monthly financial reports are usually submitted to the office of the chief officer health services and county treasury.

(a) Entity Headquarters

P.O. Box 89-90300
MAKUENI

(b) Entity Contacts

Telephone: (+254) 0743648940
E-mail: makinduhosi2009@gmail.com
Website: www.makueni.go.ke

(c) Entity Bankers

Kenya commercial bank, Makindu

(d) Independent Auditors

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








(e) Principal Legal Adviser

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







(f) County Attorney

P.O. Box. 78-90300
Makueni, Kenya

II. The Board of Management

Ref		Directors	Details
1.		Eng. Daniel Muli <ul style="list-style-type: none"> ➤ Civil Engineer ➤ Director - Dannex Construction Company 	Chairman of HMC
2.		Dr. Patrick Mutinda <ul style="list-style-type: none"> ➤ MBChB(moi) 2010 ➤ Senior Registrar MMED Family medicine 	Secretary of HMC
3.		Bishop Benard Mutuku <ul style="list-style-type: none"> ➤ Honorary Doctor of Divinity ➤ Diploma in Education 	Member of HMC
4.		Mr. Thomas Mutuku Makete <ul style="list-style-type: none"> ➤ Retired Kenya Army Officer 	Member of HMC
5.		Mrs Esther Mbatia <ul style="list-style-type: none"> ➤ Holds Diploma in Community Development 	Member of HMC
6.		Mr. Samuel Musyoki Kalani <ul style="list-style-type: none"> ➤ Diploma in Education Management 	Member of HMC
7.		Ms Riziki Kikanga <ul style="list-style-type: none"> ➤ Diploma in community Development ➤ Certificate in counselling 	Member of HMC
8.		Deputy County commissioner	Ex-official
9.		Subcounty Administrator	Ex-official
10.		Subcounty Medical Officer of Health	Ex-official

III. Management Team

No.	Name and Designation	Responsibility	Details
1.	Dr Patrick Mutinda 	Chairman to the Management team	<ul style="list-style-type: none"> ➤ Medical Superintendent ➤ MBChB (moi) 2010) ➤ Senior registrar MMED family medicine
2.	Mr. Lawrence Mulungye 	Secretary	<ul style="list-style-type: none"> ➤ Hospital Health Administrative Officer ➤ Head of administration ➤ Higher diploma in administration.
3.	Mr. Damiano Muriuki 	Member	<ul style="list-style-type: none"> ➤ Nursing Officer In-charge ➤ Head of nursing services ➤ Diploma in nursing
4.	Mrs. Christine Mutuku 	Member	<ul style="list-style-type: none"> ➤ Head of finance ➤ Bachelor degree in Business Management -Finance ➤ CPAK. ➤ I have wealth of experience in Accounting Field having worked for over 13 years in Public sector.
5.	Mr. Daniel Musili 	Member	<ul style="list-style-type: none"> ➤ Head of Procurement ➤ Degree in Purchasing and Supplies Management ➤ Diploma in business management
6.	Dr. Brian Mutua 	Member	<ul style="list-style-type: none"> ➤ Head of Pharmacy department ➤ Bachelor of pharmacy

IV. Chairman's Statement

The current Hospital Management Committee (HMC) was gazetted on 26th March 2021 with 11 members inclusive of the Medical Superintendent as the Secretary. It has also co-opted the hospital management members viz Health Administrator and the Nursing manager.

The HMC has 2 sub-committees namely; Finance and General Purpose and Quality of Curative sub-committees who meet and report to the full HMC meeting during the quarterly meetings.

The core functions of the HMC is;

- i) To Supervise and control the administration of funds allocated to the facility.
- ii) To prepare work plans based on estimate expenditures.
- iii) To cause to be kept basic books of accounts and record of accounts of the income, expenditure and liabilities of the institution.
- iv) To prepare and submit testified periodic financial and performance reports as prescribed.
- v) To cause to be kept record of all deliberations.

Its core roles include;

- i) The assets, affairs and business of the hospital shall be managed under the direction of the HMC, subject to the limitations set forth in legal notice 155. In order to fulfill its responsibility, the HMC executes these core roles namely;
 - a) Planning that is consistent with Government policies and regulations.
 - b) Decision making with regard to review and approvals of plans, budget and expenditure.
 - c) Provides oversight on all hospital operations.

The core responsibility of the HMC is the following;

- i) Overseeing hospital performance improvement of the hospital and its programs, quality of services being offered and ensure that areas needing improvement are appropriately addressed.
- ii) Participating in planning for the hospital in line with department of health.
- iii) Mobilizing resources for the hospital's development and operation.
- iv) Overseeing the financial operations of the hospital by ensuring a sound financial management system encompassing financial plans, performance evaluation and regular reporting.
- v) Ensure development of hospital human resources by organizing, protecting and enhancing hospital HR and ensuring a conducive environment.
- vi) Ensuring communities rights are fulfilled and their needs are adequately met by evaluating the services of the hospital to ensure that they fulfill the rights of the communities and comprehensively address their needs
- vii) Maintaining a positive public image by ensuring patients' rights charter are developed and positioned at the right places.
- viii) Ensuring compliance with environmental regulation and standards i.e. ensuring the hospital operations are in compliance with environmental laws and regulations with regard to disposal of medical waste and endeavor to encourage environment conservation within the hospital and its environs.
- ix) Enhancing external relationships and partnerships by ensuring proper linkages with all stakeholders and enhance strategic partnerships.

- x) Mitigate potential conflicts of interests by ensuring staff and HMC members act ethically at all times and acknowledge their adherence to the public office's ethics Act 2003 and code of conduct.
- xi) Risk management by ensuring the hospital strategies and systems to identify and mitigate risk.
- xii) Regulating compliance by ensuring hospitals complies with the laws and regulations.

In view of the above, during the financial year 2021/2022 the HMC had the following key activities:

- i) Ensuring equitable distribution of funds to various expenditure items such as salary payments, medical expenses, general expenses, repairs and maintenance, as well as setting aside development funds.
- ii) Allocation of funds for maintenance of motor vehicles, buildings, plant and machinery. The HMC has witnessed renovation of nutrition's and social worker's office, construction of breastfeeding hut, rehabilitation of mortuary and incinerator, renovation of patient's toilets, installation of oxygen piping to the ICU and theatre, among other key developments.
- iii) Ensuring supplementary supply of emergency pharmaceuticals and non-pharmaceutical items in the hospital especially theatre and maternity drugs. Its has also ensured that funds are allocated for laboratory supplies to patients' convenience.
- iv) Formulating The Makindu Hospital strategic plan, with detailed analysis of the position of the hospital by the year 2025.
- v) The HMC participated in the process of mobilizing resources through strategic partnerships to obtain a water desalinization plant from Water Kiosk Kenya, and installation of cabro-paving blocks extending from the main gate towards the SCMOH's offices.
- vi) It has also ensured the purchase of vital medical equipment such as SP02 leads, hydrocollator machine, pulse oximeter, MVA sets, Drip stands, delivery sets, dressing packs, fragment sets, patient monitors, condensing units, oxygen flow meters among other key equipment.
- vii) Security has also been enhanced within the compound by ensuring that CCTV cameras are installed. All departments are also connected via telephone extensions for ease communication amongst the staff members.

However, the HMC has faced several challenges while undertaking its responsibilities. Some of these challenges include:

- i. Dilapidated infrastructure that has no adequate space to offer services. For instance, the physiotherapy, occupational therapy, administration, CCC.
- ii. There is also inadequate infrastructure that need expansion such as the laboratory and surgical wards where patients share beds.
- iii. Shortage of health workforce such as nurses.
- iv. Low staff morale due to delay in promotions.
- v. Inadequate funding leading to increased pending debts.
- vi. Delay in funding from the medical schemes.
- vii. Shortage of drugs and commodities.
- viii. Shortage of modern and advanced medical equipment.
- ix. Poverty amongst the community members leading to increased number of waivers.
- x. Shortage of ICT equipment and knowledge.

Therefore, we propose the following recommendations to make the hospital a better facility:

- i. Construction of new and spacious structures to accommodate needy departments.
- ii. Employ more taskforce for efficient health delivery especially nurses.
- iii. Speed up promotions and resignations.
- iv. Increase R11 funding and speed up disbursement of funds from the respective stakeholders.
- v. Increase supply of drugs and commodities.
- vi. Purchase modern medical equipment.
- vii. County should compensate health facilities for the fees waived to minimize loses.
- viii. Provide and train staff on ICT.

I extend my sincere gratitude to the hospital and the entire board for their continued support towards the deliberate efforts made to make the hospital a facility of choice by the society.



.....
Eng. Daniel Muli.

Chairman Hospital Management Committee

V. Report of The Chief Executive Officer

Makindu Sub-County Hospital was established in 1924 as a Dispensary of East Africa Railways. It was later handed over to the Ministry of Health and developed to a Sub-District Hospital in 1989 under the then Machakos district. She is situated along Nairobi-Mombasa highway, about 172 kilometres South East of Nairobi City. The hospital is currently the second largest public healthcare facility -after Makueni County Referral Hospital- in Makueni County. She is both a referral and teaching hospital serving Kibwezi West constituency. The facility is the main teaching hospital for Kenya Medical Training College, Makindu Campus, which trains various health worker cadres including clinical officers, nurses and medical trauma technologists. She is an internship Centre for graduate medical doctors and clinical officers.

Apart from Kibwezi West, the hospital also serves patients from Kibwezi East, Makueni and Kilome Sub-counties of Makueni County. She also serves clients from neighbouring Counties of Kajiado, Taita Taveta, Machakos and Southern parts of Kitui County. The hospital handles most of the Road Traffic Accident cases occurring on the highway between Salama and Mtito-Andei towns, along Nairobi-Mombasa highway. She has specialist consultants in General surgery, orthopaedic surgery, obstetrics and gynaecology, paediatrics and internal medicine. Her bed capacity is 189, with additional 11 incubators and 12 cots in her new-born unit. The current bed occupancy is 111% while about 95,000 clients seek out-patient services annually with an OPD utilization rate of 130%.

The hospital has excelled in some areas of service delivery. One being in orthopaedic surgery in which tertiary services like replacement arthroplasty (e.g., total hip or knee replacement) have been carried out successfully placing her high in specialist care. These surgeries bring patients from the farthest corners of Eastern region of the Country and from the neighboring Republic of Tanzania. Makindu hospital boasts to have the first laboratory to acquire ISO 15189-2012 certification in lower Eastern region. The accreditation was done in September 2019 and has been maintained in successive years after successful annual assessments by Kenya National Accreditation Service (KENAS). The reliable, accurate and timely laboratory results offered by our laboratory have made healthcare services more attractive and satisfactory to both our internal and external clients.

The hospital has continuously been improving on revenue collection. During financial year 2020/2021, the hospital generated ksh 77,000,905 in revenue (Ksh 19,650,660 cash, Ksh 17,631,535 from NHIF and Ksh 39,718,710 from Makueni care). Revenue shortfall was attributed to Covid-19 pandemic as patients avoided the hospital for being a treatment site for covid-19 patients. The main

revenue streams are Cash payments/FIF, health insurance (NHIF) and Makuenicare programme; all contributing on average 26%, 26% and 48% respectively. The annual expenditure averages Ksh 95M.

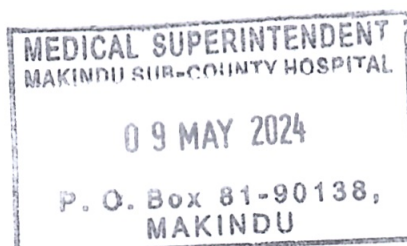
Generally, revenue raised has been increasing over the last 4 years. Last financial year (2021/22) the hospital raised Ksh 113,833,664 (FIF 30,261,148.00, NHIF 31,107,516.00 and Makuenicare 52,465,000). The revenue increment was attributable to reforms made targeting FIF and NHIF claims. The hospital stopped all cash payments by adopting MPesa pay bill. The facility also increased the number of clerks handling NHIF claims to 5 and distributed them between OPD, MCH and In-patient. The hospital NHIF office began to operate 24 hours.

The main challenge with financing is erratic and unpredictable financial flow from NHIF and Makueni care. The hospital incurs substantial waivers and exemptions annually due to services offered to indigents, unknown victims and prolonged preservation of unknown bodies in the mortuary. On average the hospital incurs losses in revenue through exemptions and waivers totalling to Ksh 6,115,773 annually. The operational environment and economic situation have posed challenges making the hospital unable to provide services within available financial resources. Inability of the health department to supply adequate medical drugs and non-pharmaceuticals, covid-19 pandemic and the increment of commodity prices has made the situation worse. The hospital therefore has been operating on debt and paying whenever finances are available.

By the close of the financial year, the hospital owed suppliers Ksh 21,320,898.00; allowances to staff (who cover duties while supposed to be off duty, as a result of staffing shortage) totalling to Ksh 7,666,700.00; and daily subsistence allowances totalling to Ksh 474,055. This translates to a total pending bill of Ksh 29,461,653. The hospital prepares quarterly budgets to appropriate revenue raised in previous quarter. During Q1 FY 2022/23 budget, the hospital appropriated Ksh 23,467,746.00 to defray Ksh 18,487,791.00 (part of debt owed to suppliers), Ksh 4,505,900.00 (part of staff locums); and Ksh 474,055 (daily subsistence allowances) respectively. This translates to 87%, 59% and 100% of debt owed to suppliers, staff locums and daily subsistence allowances respectively.



Dr. Patrick Mutinda
Medical Superintendent



VI. Statement of Performance Against Predetermined Objectives

The hospital provides curative, rehabilitative and preventive health services to external and internal clients according to Kenya Essential Package for Health. Provision of services is a process whose effectiveness cannot be assessed without taking note of outputs or outcomes. During the implementation period (2021/22), the hospital had set both service delivery and developmental targets as presented in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Achievements
Operationalize health policy 2014-2030	Eliminate communicable conditions	HIV+ pregnant mothers receiving preventive ARV's to reduce risk of mother to child transmission (eMTCT)	100%
		Proportion of Pregnant Women receiving TT2 Plus immunization	146%
		Children under 1 year of age fully immunized	91%
		Proportion of TB patients completing treatment	82.4%
		TB case detection rate	6/1,000
		Number of eligible HIV clients on ARVs	100%
	Halt, and reverse the rising burden of non-communicable conditions	Proportion of adult OPD clients with BMI measured	0.1%
		Proportion of Women of Reproductive Age screened for cervical cancer	1%
		Number of new Outpatients with mental health conditions	53
		Number of new Outpatients found with high blood pressure	35
	Provision of essential services	Pregnant women attending at least 4 ANC visits	94%
		Proportion of Women of reproductive age (WRA) receiving family planning (FP) commodities	18%
		Proportion of pregnant women getting iron supplements	234%
		Deliveries conducted by skilled attendants	371%
	Reduce the burden of violence and injuries	Number of health workers trained on emergency care	8
		Number of health workers trained on post rape care	20
	Minimize exposure to health risk factors	Proportion of Children under 5 years attending Child Welfare Clinics for growth monitoring	18%
		Number of Clients tested for HIV	4,553
	Strengthen collaboration with health-related sectors	Number of monthly Hospital Management Team meetings held	4
		Quarterly performance review meetings held	1

VII. Corporate Governance Statement

The hospital is governed by Hospital Management Committee (previously called Hospital Management Board) comprised of 6 members representing the community and 3 ex-officials representing County administration and the National government. The medical superintendent serves as secretary. The HMC serves for 3-year term. The current members were gazetted on 26th March 2021. The team meets quarterly and has two sub-committees (Primary healthcare/quality and Finance/audit/general purpose) which meet quarterly and submit findings to full board meeting. Last financial year (2021/2022), the full HMC met 4 times and the meetings are minuted. There is no charter outlining individual roles and the HMC exercises collective responsibility; with the chairman being accountable for any decisions made.

HMC members are appointed by the ECM health services from members of community in the region served by the hospital. There are guidelines from the National Ministry of Health used to identify members to ensure equitable representation including representation of women, youth and persons with disability. The HMC generally serves as link between the hospital management and community being served. It serves to safeguard community interests health service provision. The members of HMC were inducted in a sensitization meeting conducted by the County Health Administrative Officer. The HMC has no remuneration package and is accorded sitting allowances every time engaged.

VIII. Management Discussion and Analysis

In the last three financial years, the hospital continued to provide curative, rehabilitative and promotive health services to the public. In order to improve the quality of services offered, the facility has continued to address gaps across all healthcare pillars i.e. staffing, infrastructure, health products, health information, service delivery, financing and leadership. The management over the period engaged additional technical and support staff on contractual/casual basis to bridge staffing gap. In total the management added 62 new staff (31 professional and 31 support). The support staff include 21 casual labourers and 10 clerical officers while the professional staff include 8 clinical officers and 10 nurses.

On infrastructure, the hospital managed to undertake several projects to improve usability. Some of the projects are as listed below:

1. Renovation of old theatre building to a purely maternity theatre. This was to ensure our mothers are attended to in time due to proximity of the building to maternity unit.
2. Renovation of Ngei ward (male medical ward) which included curtain portioning for patient privacy
3. Construction of a new out-patient washroom block
4. Purchase of assorted furniture, equipment and linen. The hospital has been acquiring additional furniture, equipment and linen annually to bridge shortage. The need is higher than available resources and therefore on average the facility has been spending more than Ksh 2M on the items annually
5. Purchase of industrial laundry machine

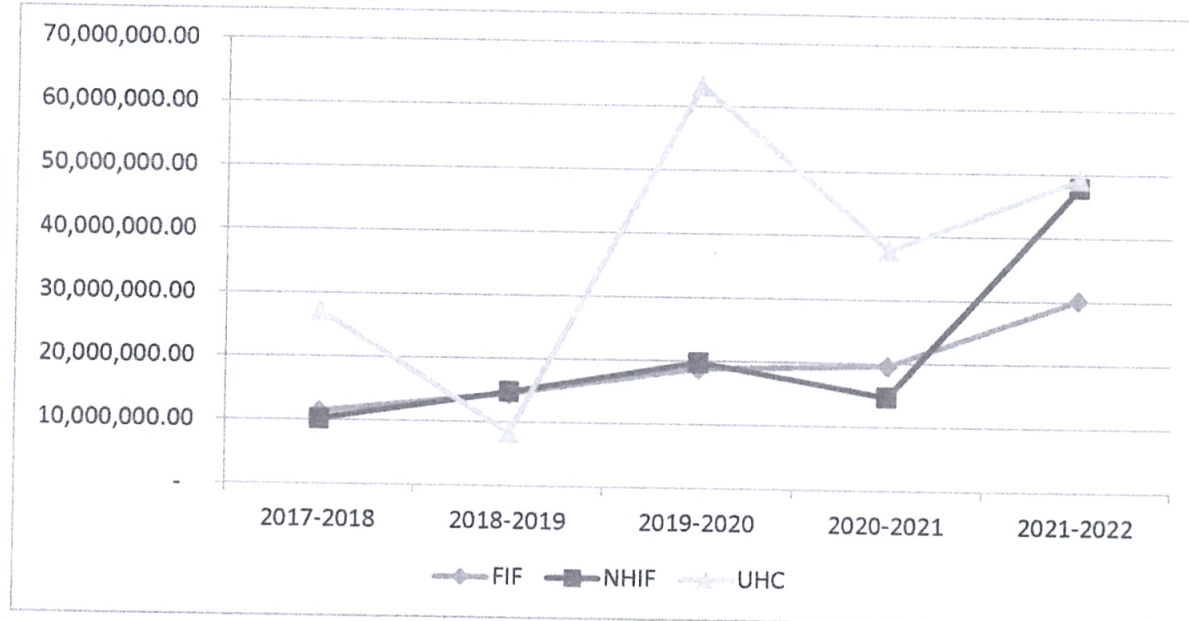
6. Repair of one mortuary chamber. The hospital mortuary has 5 chambers (8 body capacity each) but only 2 had been functional. The management rehabilitated into operation a third chamber and did minor repairs on the two which were already operational.
7. Purchase of generation 8 server for management of information. This included upgrade of LAN network and creation of a server room with appropriate security
8. Purchase of desktop and laptop computers, mobile phones for OPD, Maternity and customer care.
9. Purchase of LCD projector
10. Purchase of assorted household items (fridges, utensils, boots, tea urns, car wash machine, sewing machine etc)
11. Installation of CCTV network
12. Renovation of drug store, medical social worker office, nutrition and psychiatry rooms
13. Renovation of old pharmacy into dental unit
14. Purchase of 10,000l plastic tanks for water storage
15. Creation and equipping of orthopaedic technology room
16. Upgrade of intercom network
17. Relocation of administration block to resource centre building

Generally, the hospital has been receiving 45-55% fill rate of drugs and non-pharmaceutical commodities from the department. To bridge the gap, the management has been purchasing additional drugs and non-pharmaceuticals from KEMSA, MEDs and prequalified local suppliers. This has greatly sustained service provision especially in the laboratory and radiology units which have never stopped service provision due to shortage of commodities.

In order to minimize expenditure on food items, the hospital engaged in irrigation farming of majorly vegetables. This has on averaged helped save ksh 260,000 monthly. The surplus vegetables are sold to staff on fair prices (ksh 15 per kg) as a way of motivation. Similarly, the hospital partnered with Water Kiosk (an NGO) to desalinize borehole water. This has helped to supply purified fresh water for drinking and utilization in laundry and theatre. The plant saves the hospital on average Ksh 90,000 monthly; money that was spend for water trucking.

In financial year 2018/19, the hospital raised 73M in revenue. Activities to streamline revenue collection have yielded tremendous results and the hospital is now raising over 90M annually. Part of the changes included hiring of additional NHIF clerks to operate 24 hours, stoppage of cash collections and involvement of nursing staff in billing. Minimization of corruption and reduction of pilferage have also contributed in more revenue realization. The graph below shows revenue trend over three financial years:

Revenue Collection Trend



In order to streamline development and improve quality of services delivered, the hospital has developed a five-year strategic plan 2022-2027 to be the guiding document. Despite the investments made, the hospital faces major risks including pandemics (covid-19), increasing poverty levels among the public, low enrolment to health insurance, drought, increasing burden of non-communicable diseases and injuries. The hospital has complied with statutory and other financial obligations as required. However, incongruence between financial flow and material need forces the hospital to acquire needed commodities on credit for later payments.

Under service delivery, the hospital has made remarkable progress in realizing positive outcome. The facility is the main referral and teaching hospital in the greater Kibwezi region. It serves communities across Makueni, Kajiado, Kitui and Taita Taveta Counties. Some of the outcome indicators are as presented in the table below:

	Indicator	2019/20	2020/21	2021/22
1	Bed Capacity	152	152	165
2	Inpatient Workload	6,598	5,083	5,584
3	Outpatient Workload	61,912	53,450	54,526
4	A&E (accident and emergency)	239	906	1,240
5	Special Clinics	22,295	19,836	23,800
6	Average Length of Stay (in-patient)	3	5	4
7	Bed Occupancy rate	110	52	46
8	Surgical Theatre utilization	4,714	1,350	2,309

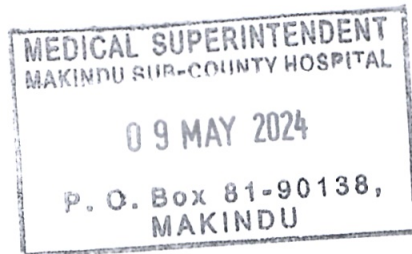
Financial performance that includes

The hospital has three main sources of revenue: FIF/Cash, Health insurance (mainly NHIF) and Makuenicare (a social security program run by Makueni County government). Both FIF and NHIF (capitation, Civil servants, police, linda mama and Edu Afya) contribute 25% each of hospital revenue while Makuenicare contributes 50%.

Revenue raised is retained in hospital FIF account held with KCB Makindu branch. Every quarter, the management prepares and submits appropriation budgets (for revenue raised in previous quarter) to the office of the Chief Officer Health Services for approval and AIE issuance. The hospital is an independent procuring entity and therefore able to incur expenses as determined by appropriation budgets. All expenditures are guided by available regulations and laws especially public procurement and asset disposal act of 2012.



Dr. Patrick Mutinda
Medical Superintendent



IX. Environmental and Sustainability Reporting

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

i) Sustainability strategy and profile

The hospital plans to put in place and strengthen activities geared towards ensuring sustainability and resilience of hospital operations. Key among envisaged activities are measures to increase revenue generation. The hospital targets to partner with private insurance companies in service provision as the main avenue of realizing more revenue. Additionally, expanding the spectrum of service availability especially tertiary laboratory tests and surgical interventions, fields where the hospital has not exploited full potential, will greatly increase revenue generation.

Secondly the hospital plans to put in place measures to minimize wastage and pilferage of resources. This targets health products and technologies, for example, to adopt different measures to administer insulin while minimizing the number of needles spend. Strategic purchasing will guarantee quality products which minimize wastage e.g. avoidance of single use syringes. The management has also identified avenues for minimizing financial expenditure through eliminating unnecessary processes.

ii) Environmental performance

The hospital has a challenge of sewerage and relies more on a few septic tanks. The land earmarked as cemetery has been grabbed by private developers. The long-term plan is to put up a lagoon to sort sewerage matters and follow up with County department of lands to reclaim cemetery land. The hospital has plans to strengthen infection prevention and control (IPC) activities. To that end, the managers ensure efficient and effective hospital waste segregation and disposal. The facility has the advantage of having an incinerator in place for waste disposal. We have planted trees in the compound and identified two areas for recreational park/garden development.

iii) Employee welfare

The hospital staff establishment is mainly under the County Public Service. However, to bridge staffing gap, the facility has engaged both professional and support staff on casual basis. The executive expenditure committee has laid down guidelines on recruitment, terms of

service and welfare matters concerning staff. Contractual engagement is usually renewed six monthly. All members of staff irrespective of employer are treated equally and accorded similar opportunities. The hospital runs a weekly continuous medical education (CME) program to improve workers knowledge and skills. The program is accredited by Kenya Medical Practitioners and Dentists Council (KMPDC). The facility has complied with Occupational Safety and Health Act 2007 and has deployed an environmental health officer to spearhead environmental health activities.

iv) Market place practices-

Organizations depend on their suppliers in order to satisfy the needs and expectations of their customers, on whom they depend. The hospital acknowledges the need for mutually beneficial supplier relationships.

a) Responsible competition practice.

The hospital being an independent procuring entity prequalifies suppliers under different needs. The framework agreements cover 2 to 3-year periods. This ensures fair competition, guarantees business and minimizes corruption. The hospital is guided by the County treasury to ensure compliance with regulations and political involvement.

b) Responsible Supply chain and supplier relations

The procurement department is responsible for procurement and asset disposal processes. The head of the unit reports to the accounting officer through the administrator. Hospital supplier relations are discussed during EEC meetings and additionally suppliers can raise concerns either verbally or in writing whenever there is an issue. Payments to suppliers are done equitably without favour or undue influence.

c) Responsible marketing and advertisement

The hospital requires organizations marketing their products and services to seek approval from hospital top administration before engaging staff. Most of the times, organizations are requested to participate in CME for impartiality and inclusive participation. The hospital guided by health policy restricts and prohibits marketing of services or products that have been blacklisted e.g. infant formula and breast milk substitutes

d) *Product stewardship*

Acquisition of health products is guided by national policy especially Kenya Essential Medicine List updated regularly. Purchase done from reputable main distributors to assure consumer safety and rights.

v) *Corporate Social Responsibility / Community Engagements*

Makindu Sub County hospital is not involved in corporate social responsibility and does not have a policy guiding on the same. However, in her current strategic plan, the hospital plans to hold health promotion camps for the benefit of the community.

X. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2022, which show the state of the *hospital's* affairs.

Principal activities

The principal activities of the hospital are to provide health services to the public

Results

The results of the entity for the year ended June 30 are set out on page 1 to 9

Board of Management

The members of the Board who served during the year are shown on page viii

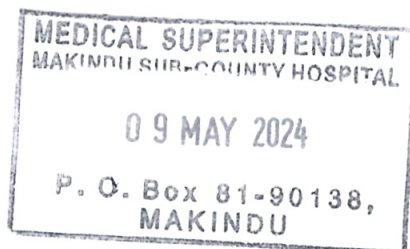
Auditors

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

By Order of the Board



.....
Dr. Patrick Mutinda.
Medical Superintendent.
Secretary of the Board.



XI. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 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 and the operating results of the hospital for that year. The Board of Management is also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The board members are also responsible for safeguarding the assets of the hospital.

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


The Board of Management accepts responsibility for the Makindu level 4 hospital 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 entity's transactions during the financial year ended June 30, 2022, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

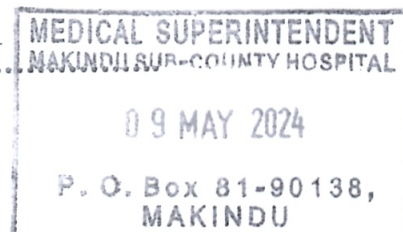
Nothing has come to the attention of the Board of management to indicate that the hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 9th May 2024 and signed on its behalf by:


.....
Name: Eng. Daniel Muli
Chairperson
Board of Management


.....
Dr. Patrick Mutinda
Medical Superintendent
Accounting Officer



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MAKINDU LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF MAKUENI

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 Makindu Level 4 Hospital - County Government of Makueni set out on pages 1 to 52, which comprise of the statement

of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Makindu Level 4 Hospital - County Government of Makueni as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Inaccuracies in the Accumulated Surplus Balance

The statement of financial position reflects accumulated surplus of Kshs.79,354,858 while, the statement of changes in net assets reflects accumulated surplus balance of Kshs.79,529,133 resulting in an unexplained variance of Kshs.174,275.

In the circumstances, the accuracy and completeness of the accumulated surplus balance could not be confirmed.

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

The statement of financial performance reflects employee costs of Kshs.31,913,284 for casuals and contractual staff as disclosed in Note 16 to the financial statements. The Hospital also received services from medical staff employed and paid for by the County. However, the expenditure has not been disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs expenditure of Kshs.31,913,284 could not be confirmed.

3. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.58,516,295 as disclosed in Note 31 to the financial statements. However, the Hospital has movable and non-movable assets of undetermined value relating to land, buildings, furniture and fittings and computers which were not valued and disclosed in financial statements.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.58,516,295 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budget and actual revenues of Kshs.130,573,014. However, the budget amounts have not been supported by way of an approved budget by the Board.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, 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. Late Submission of the Financial Statements

During the year under review, the Hospital Management submitted financial statements for the year ended 30 June, 2022 to the office of the Auditor-General on 6 April, 2023, six (6) months after the statutory deadline of 30 September, 2022. This is contrary to Section 47(1) of the Public Audit Act, 2015 which requires that financial statements should be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2. Failure to Prepare Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs.31,110,248 in relation to the rendering of services - medical income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County treasury with a copy to the Auditor General. This was contrary to Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

3. Deficiencies in Implementation of Universal Health Coverage

Inspection of services offered, equipment used and number of members of staff at the hospital in April 2024 revealed that during the year under review, the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits as analysed in the table below:

Personnel	Level 4 Standard	Actual Numbers	Variance	Percentage %
Medical Officers	16	13	3	19
Anaesthesiologists	2	0	2	100
General Surgeons	2	1	1	50
Gynaecologists	2	1	1	50
Paediatricians	2	1	1	50
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	85	(10)	(13)
Total	101	101	0	

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

Services	Required	In-Post	Variance	Percentage %
Functional ICU Beds	6	3	3	50
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machine	5	0	5	100
Total	17	3	14	

In addition, the Hospital had three (3) functional ICU beds but only one ventilator while two ventilators had been borrowed by Makueni County Referral Hospital at the time of audit.

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

In the circumstances, the Hospital will not be able to deliver on its mandate.

4. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.29,461,653 as disclosed in Note 34 to the financial statements. However, the balances have been outstanding for more than one year which may have been attributed to inadequate funds to settle the financial obligations as they fall due. This was Contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract(s) are reflected in approved budget estimates. The failure to settle payables may result in suppliers withholding the supply of goods, supplies and pharmaceutical items and hence adversely affect service delivery.

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 overall governance were not effective.

Basis for Conclusion

1. Failure to Maintain an Imprest Register

During the year under audit, Management did not maintain an imprest register. This was contrary to Regulation 93(4)(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires that before issuing temporary imprests under

paragraph (2), the Accounting Officer shall ensure that the applicant imprest has been recorded in the imprest register including the amount applied for.

In the circumstances, the effectiveness of internal controls on management of imprest could not be confirmed.

2. Lack of Risk Management Policy

During the year under review, the Hospital operated without a documented risk management policy framework. In addition, there was no evidence of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on the entity's operation. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 that provides that the County Government entity shall develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of risk management processes in the Hospital could not be confirmed.

3. Lack of Internal Audit Unit and Audit Committee

Review of the Hospital's governance system revealed that the Hospital did not have an Internal Audit Unit but relied on the services of the County Executive Internal Audit. Further, there was no evidence of internal audit reports and no internal audit committee was in place for the year under review. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 that requires County Government entities to establish an audit committee in accordance with prescribed regulations to monitor the entities governance process, accountability process and control systems, offer objective advice on issues concerning risk, control, regulatory requirements and governance.

In the circumstances, the effectiveness of the accountability processes and internal controls systems could not be confirmed while the Management was in breach of the law.

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

Responsibilities of Management and the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

26 June, 2024

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

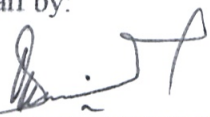
Description	Notes	2021/22	2020/21
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	51,188,500.00	-
In-kind contributions from the County Government	7	33,493,245.00	-
Grants from donors and development partners	8	359,400.00	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		85,041,145.00	-
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	31,110,248.00	-
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Other income (<i>specify</i>)	14	47,914,866.00	-
Revenue from exchange transactions		79,025,114.00	-
Total revenue		164,066,259.00	-
Expenses			
Medical/Clinical costs	15	41,670,614.00	-
Employee costs	16	31,913,284.00	-
Board of Management Expenses	17	194,800.00	-
Depreciation and amortization expense	18	11,142,075.00	-
Repairs and maintenance	19	8,742,981.00	-
Grants and subsidies	20	-	-
General expenses	21	53,935,267.00	-
Finance costs	22	-	-
Total expenses		147,599,021.00	-
Other gains/(losses)			
Gain on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	(20,544,757.00)	-
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		(20,544,757.00)	-

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Net Surplus for the year		(4,077,519.00)	-
Attributable to:			-
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		(4,077,519.00)	-
		(4,077,519.00)	-

The notes set out on pages 25 to 42 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 9th May 2024 and signed on its behalf by:



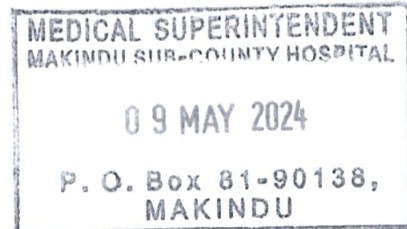
.....
Eng. Daniel Muli
Chairman
Board of Management



.....
Christine Mutuku
Head of Finance
ICPAK No: 15728



.....
Dr. Patrick Mutinda
Medical Superintendent



XIV. Statement of Financial Position as of 30th June 2022

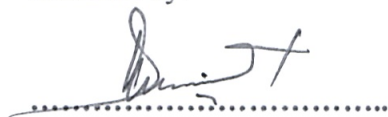
Description	Notes	2021/22	2020/21
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	27,831,678.18	-
Receivables from exchange transactions	28	18,035,396.00	-
Receivables from non-exchange transactions	29	-	-
Inventories	30	4,433,142.00	-
Total Current Assets		50,300,216.18	-
Non-current assets			
Property, plant, and equipment	31	58,516,295.05	-
Intangible assets	32	-	-
Investment property	33	-	-
Total Non-current Assets		58,516,295.05	-
Total assets		108,816,511.23	-
Liabilities			
Current liabilities			
Trade and other payables	34	29,461,653.00	-
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
Total Current Liabilities		29,461,653.00	-
Non-current liabilities			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession liability	40	-	-
Total Non-current liabilities		-	-
Total Liabilities		29,461,653.00	-

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Net Assets			
Revaluation reserve		-	-
Accumulated surplus/Deficit		79,354,858.23	-
Capital Fund		-	-
Total Net Assets and Liabilities		108,816,511.23	-

The notes set out on pages 25 to 42 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 9th May 2024 and signed on its behalf by:



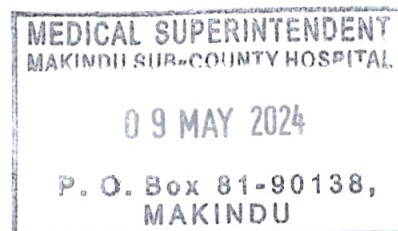
Eng. Daniel Muli
Chairman
Board of Management



Christine Mutuku
Head of Finance
ICPAK No: 15728



Dr. Patrick Mutinda
Medical Superintendent




Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021	-	-	-	-
				-
At July 1, 2021	-	83,606,652.23	-	83,606,652.23
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(4,077,519.00)	-	(4,077,519.00)
Capital/Development grants	-	-	-	-
At June 30, 2022	-	79,529,133.23	-	79,529,133.23

(The notes set out on pages 25 to 42 form an integral part of the Annual Financial Statements.)


The Hospital's financial statements were approved by the Board on 9th May 2024 and signed on its behalf by:



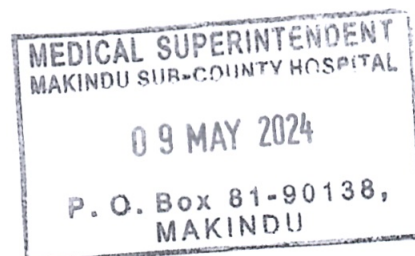
Eng. Daniel Muli
Chairman
Board of Management



Christine Mutuku
Head of Finance
ICPAK No: 15728



Dr. Patrick Mutinda
Medical Superintendent



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


Description	Note	2021/22 Kshs	2020/21 Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	51,188,500.00	-
Grants from donors and development partners	8	359,400.00	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
Rendering of services- Medical Service Income	11	30,935,973.00	-
Revenue from rent of facilities	12	-	-
Finance / interest income	13	-	-
Other receipts(<i>specify</i>)	14	47,914,866.00	-
Total Receipts		130,398,739.00	-
Payments			
Medical/Clinical costs	15	41,670,614.00	-
Employee costs	16	31,913,284.00	-
Board of Management Expenses	17	194,800.00	-
Repairs and maintenance	19	8,742,981.00	-
Grants and subsidies	20	-	-
General expenses	21	20,442,022.00	-
Finance costs	22	-	-
Refunds paid out		-	-
Total Payments		102,963,701.00	-
Net cash flows from operating activities	41	27,435,038.00	-
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		(7,053,766.00)	-
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		20,381,272.00	-
Cash and cash equivalents at 1 July 2021	27	7,450,406.18	-
Cash and cash equivalents at 30 June 2022	27	27,831,678.18	7,450,406.18

The cashflow statement has been prepared using direct method of cashflow preparation

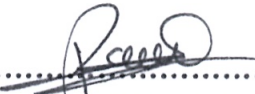
The notes set out on pages 25 to 42 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on *9th May 2024* and signed on its behalf by:



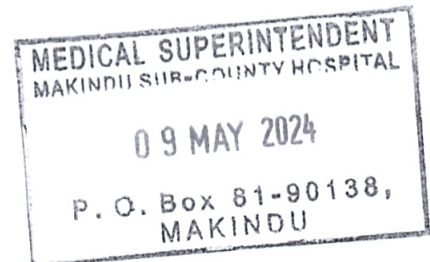
Eng. Daniel Muli
 Chairman
 Board of Management



Christine Mutuku
 Head of Finance
 ICPAK No: 15728



Dr. Patrick Mutinda
 Medical Superintendent



XVII. Statement of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022


Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	51,188,500	-	51,188,500	51,188,500	-	100%
Grants from donors and development partners	359,400	-	359,400	359,400	-	100%
Transfers from other Government entities	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Rendering of services- Medical Service Income	31,110,248	-	31,110,248	31,110,248	-	100%
Revenue from rent of facilities	-	-	-	-	-	-
Finance / interest income	-	-	-	-	-	-
Other receipts (<i>specify</i>)	47,914,866	-	47,914,866	47,914,866	-	100%
Total income	130,573,014	-	130,573,014	130,573,014	-	100%
Expenses						
Medical/Clinical costs	42,555,930	-	42,555,930	41,670,614	885,316	98%
Employee costs	32,225,870	-	32,225,870	31,913,284	312,586	99%
Board expenses	194,800	-	194,800	194,800	-	100%
Repairs and maintenance	8,993,307	-	8,993,307	8,742,981	250,326	97%

Grants and subsidies		-		-	-	-
General expenses	53,935,267	-	53,935,267	53,935,267	-	100%
Finance costs		-		-	-	-
Refunds		-		-	-	-
Total expenses	137,905,174		137,905,174	136,456,946	1,448,228	99%
Surplus for the period	(7,332,160)	-	(7,332,160)	(5,883,932)	(1,448,228)	80%
Capital expenditure	(7,053,766)	-	(7,053,766)	(7,053,766)	-	100%

The notes set out on pages 25 to 42 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 9th May 2024 and signed on its behalf by:



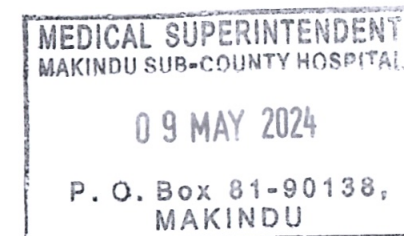
Eng. Daniel Muli
Chairman
Board of Management



Christine Mutuku
Head of Finance
ICPAK No: 15728



Dr. Patrick Mutinda
Medical Superintendent



XVIII. Notes To the Financial Statements

1. General Information

Makindu Sub county Hospital is established by and derives its authority and accountability from Public Finance Management Act. The Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to offer curative, promotive, rehabilitative and palliative care services.

2. Statement of Compliance and Basis Of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Hospital's accounting policies. The 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

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 30 June 2022.

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

*Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

	(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<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>
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</p>

	Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> 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.

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in the year 2021/22

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 entity and can be measured reliably.

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity'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.

Notes to the Financial Statements (Continued)

b) Budget information

The original budgets for FY 2021/2022 were approved by Board on date 26/7/2021 for both FIF Kshs. 6,085,032.00 and NHIF Kshs. 13,567,750.00, on date 18/10/2021 for both FIF & NHIF Kshs. 9,601,175.00 and UHC 24,000,000.00, on date 17/1/2022 for FIF & NHIF Kshs. 12,059,126.00 and UHC Kshs. 24,000,000.00, on date 11/4/2022 FIF & NHIF Kshs. 15,310,183.00, UHC Kshs. 1,276,500.00 R11 Kshs. 3,000,000.00 and on date June 2022 Kshs. 188,500.00. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

Notes to the Financial Statements (Continued)

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

e) Property, plant and equipment

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

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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 Entity 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 Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity 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 or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity 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 Entity 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 Entity.

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

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

Contingent assets

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

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against

income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) 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.

n) 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.

o) 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the Medical superintendent, Government of Makueni County, The County department of Health services, Hospital Management Committee, Hospital Executive Expenditure Committee, and Hospital Management Team.

p) 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 Entity 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.

6. Transfers From The County Government

Description	2021/22	2020/21
	KShs	KShs
Unconditional grants		
Operational grant - UHC	48,000,000.00	-
Operational grant – R11	3,188,500.00	-
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	51,188,500.00	-

Notes to the Financial Statements (Continued)

6 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	Total 2021/22
			KShs	KShs	KShs
Makueni County Government	-	-	-	-	51,188,500.00
Total	-	-	-	-	51,188,500.00

7. In Kind Contributions from The County Government

Description	2021/22	2020/21
	KShs	KShs
Salaries and wages	-	-
Pharmaceutical and Non-Pharmaceutical Supplies	24,114,639.00	-
Medical supplies-Drawings Rights (KEMSA)	-	-
Utility bills	9,378,606.00	-
Total grants in kind	33,493,245.00	-

(These are payments made directly by the County Governments for Pharmaceutical and Non-Pharmaceutical Supplies and Utility bills. They are recorded both as income and expense for completeness of financial statements)

8. Grants From Donors and Development Partners

Description	2021/22	2020/21
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants - Hospice Care Kenya	359,400.00	-
Total grants from development partners	359,400.00	-

The donation was granted by Hospice Care Kenya to purchase equipment for palliative care

Notes to the Financial Statements (Continued)

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

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	Total 2020/21
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
Total	-	-	-	-	-

9. Transfers From Other Government Entities

Description	2021/22	2020/21
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from National Hospital Insurance Fund	-	-
	-	-
Total Transfers	-	-

10. Public Contributions and Donations

Description	2021/22	2020/21
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations(<i>specify</i>)	-	-
Donations in kind-amortised	-	-
Total donations and sponsorships	-	-

Notes to the Financial Statements (Continued)

10 (a) Reconciliations of amortised grants

Description	2021/22	2020/21
	KShs	KShs
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
Conditions to be met – remain liabilities	-	-

11. Rendering of Services-Medical Service Income

Description	2021/2022.	2020/21
	KShs	KShs
Pharmaceuticals	2,028,368.00	-
Non-Pharmaceuticals		-
Laboratory	4,233,690.00	-
Radiology	4,961,950.00	-
Orthopedic and Trauma Technology	527,750.00	-
Theatre	413,850.00	-
Accident and Emergency Service		-
Anesthesia Service		-
Ear Nose and Throat service & other clinics	163,000.00	-
Nutrition service	53,400.00	-
Cancer centre service	-	-
Dental services	476,800.00	-
Reproductive health	3,150.00	-
Paediatrics services		-
Farewell home services	1,850,595.00	-
Palliative Services	15,490.00	-
Health Records-Cards & files	1,992,560.00	-
Inpatient	11,393,990.00	-
Physiotherapy	146,200.00	-
Occupational therapy	222,100.00	-
Out – patient	588,685.00	-
Transport – Ambulance services	344,500.00	-
Medical Exam	79,600.00	-
Eye department	231,060.00	-
Mental Health	21,720.00	-
Insurance recoveries-UHC	1,276,500.00	-
Income from sale of tender	-	-
Farm income	4,490.00	-

*Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

Income from internship (Administration)	80,800.00	-
Other debtors - Medical services rendered to Institutions		-
Total revenue from the rendering of services	31,110,248.00	-

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2021/22	2020/21
	KShs	KShs
Residential property	-	-
Commercial property	-	-
Total Revenue from rent of facilities	-	-

(Provide brief explanation for this revenue)

13. Finance /Interest Income

Description	2021/22	2020/21
	KShs	KShs
Cash investments and fixed deposits	-	-
Interest income from short- term/ current deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income	-	-

(Provide brief explanation for this revenue)

14. Other Income

Description	2021/22	2020/21
	KShs	KShs
Insurance recoveries-NHIF	47,914,866.00	-
Direct deposit to Account		-
Sale of goods (water, publications, containers etc)	-	-
Total other income	47,914,866.00	-

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2021/22	2020/21
	KShs	KShs
Dental costs/ Materials	-	-
Laboratory chemicals and reagents	5,580,200.00	-
Public health activities	-	-
Food and Ration	11,188,885.00	-
Uniform, clothing, and linen	1,218,315.00	-
Dressing and Non-Pharmaceuticals	7,266,210.00	-
Pharmaceutical supplies	6,426,022.00	-
Health information stationery	1,360,380.00	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	1,445,810.00	-
Purchase of Medical gases & Other gases	2,553,192.00	-
X-Ray/Radiology supplies	1,613,800.00	-
Other medical related clinical costs (<i>implants cost</i>)	3,017,800.00	-
Total medical/ clinical costs	41,670,614.00	-

(Other medical/clinical related costs refers to all other costs involved in management of the patients directly not analysed above.)

16. Employee Costs

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	21,919,534.00	-
Contributions to pension schemes	232,000.00	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs (<i>LOCUMS</i>)	9,761,750.00	-
Employee costs	31,913,284.00	-

(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2021/22	2020/21
	KShs	KShs
Chairman's Honoraria		-
Sitting allowance	66,000.00	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	128,800.00	-
Airtime allowances	-	-
Total	194,800.00	-

18. Depreciation And Amortization Expense

Description	2021/2022	2020/2021
	KShs	KShs
Buildings and Civil works	343,424.70	-
Furniture, fittings, and office equipment	544,335.00	-
ICT Equipment	2,349,010.30	-
Plant and medical equipment	7,905,305.00	-
Total depreciation and amortization	11,142,075.00	-

19. Repairs and Maintenance

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings	6,055,116.00	-
Medical equipment	-	-
Office equipment	-	-
Furniture and fittings	-	-
Computers and accessories	1,557,400.00	-
Motor vehicle expenses	1,130,465.00	-
Maintenance of civil works	-	-
Total repairs and maintenance	8,742,981.00	-

Notes to the Financial Statements (Continued)

20.Grants and Subsidies

Description	2021/22	2020/21
	KShs	KShs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Other grants and subsidies(<i>specify</i>)	-	-
Total grants and subsidies	-	-

21. General Expenses

Description	2021/22	2020/21
	KShs	KShs
Advertising and publicity expenses	-	-
Catering expenses	330,670.00	-
Waste management expenses	-	-
Insecticides and rodenticides	89,900.00	-
Audit fees	-	-
Bank charges	142,827.00	-
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	9,367,794.00	-
Electricity expenses	-	-
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	1,934,610.00	-
Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	20,000.00	-
Printing and stationery	1,566,400.00	-
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	978,599.00	-
Skills development levies	-	-
Telephone and mobile phone services	913,000.00	-
Internet expenses	352,944.00	-

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Description	2021/22	2020/21
	KShs	KShs
Staff training and development	745,878.00	-
Subscriptions to professional bodies	400,000.00	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
Library books/Materials	-	-
Parking charges	-	-
Refined fuel for transport	3,240,000.00	-
In kind contributions from the County Government	33,493,245.00	-
Other operating expenses	359,400.00	-
Total General Expenses	53,935,267.00	-

22. Finance Costs

Description	2021/22	2020/21
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

(Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

23. Gain/Loss On Disposal of Non-Current Assets

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised (<i>specify</i>)	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain On Fair Value Investments

Description	2021/22	2020/21
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2021/22	2020/21
	KShs	KShs
Comprehensive care contracts with NHIF	(12,593,150.00)	-
Non- Comprehensive contracts care with NHIF		-
Linda Mama Program		-
Waivers and Exemptions	(7,951,607.00)	-
Total Gain/Loss	(20,544,757.00)	-

26. Impairment Loss

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

27. Cash and Cash Equivalentents

Description	2021/22	2020/21
	KShs	KShs
Current accounts	27,831,678.18	7,450,406.18
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalentents	27,831,678.18	7,450,406.18

Notes to the Financial Statements (Continued)

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

Description		2021/22	2020/21
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1145499120	27,776,320.63	7,423,367.63
Kenya Commercial bank	1147259151	55,357.55	27,038.55
Sub- total		27,831,678.18	7,450,406.18
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 Paybill		-	-
Sub- total		-	-
Grand total		27,831,678.18	7,450,406.18

28. Receivables from Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables(NHIF)	18,013,196.00	-
Rent receivables	-	-
Other exchange debtors	22,200.00	-
Less: impairment allowance	-	-
Total receivables	18,035,396.00	-

Notes to the Financial Statements (Continued)

29. Receivables from Non-Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (<i>non-exchange transactions</i>)	-	-
Less: impairment allowance	-	-
Total	-	-

(Undisbursed donor funds refer to funds expected where conditions for disbursements have been met by the recipient as at the reporting date)

30. Inventories

Description	2021/22	2020/21
	KShs	KShs
Pharmaceutical supplies	2,527,914.00	-
Maintenance supplies	-	-
Food supplies	90,228.00	-
Linen and clothing supplies	764,500.00	-
Cleaning materials supplies	30,400.00	-
General supplies	205,600.00	-
Non-Pharmaceuticals	814,500.00	-
Less: provision for impairment of stocks	-	-
Total	4,433,142.00	-

Notes to the Financial Statements (Continued)

31. 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
Cost								
At 1 July 2020	-	11,242,003.00	-	2,545,500.00	3,516,100.00	58,747,560.00	-	76,051,163.00
Additions	-	2,494,986.00	-	1,074,185.00	399,890.00	1,307,150.00	-	5,276,211.00
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th June 2021	-	13,736,989.00	-	3,619,685.00	3,915,990.00	60,054,710.00	-	81,327,374.00
At 1 st July 2021	-	13,736,989.00	-	3,619,685.00	3,915,990.00	60,054,710.00	-	81,327,374.00
Additions	-	-	-	734,995.00	3,131,041.00	3,187,730.00	-	7,053,766.00
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th June 2022	-	13,736,989.00	-	4,354,680.00	7,047,031.00	63,242,440.00	-	88,381,140.00
Depreciation and impairment								
At 1 July 2020		281,050.10			1,172,033.30		-	

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and Medical equipment	Capital work in progress	Total
	-		-	318,187.50		7,343,445.00		9,114,715.90
Depreciation for the year	-	343,424.70	-	452,460.60	1,305,330.00	7,506,838.75	-	9,608,054.05
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30 June 2021	-	624,474.80	-	770,648.10	2,477,363.30	14,850,283.75	-	18,722,769.95
At July 2021	-	624,474.80	-	770,648.10	2,477,363.30	14,850,283.75	-	18,722,769.95
Depreciation for the year	-	343,424.70	-	544,335.00	2,349,010.30	7,905,305.00		11,142,075.00
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-							-
At 30th June 2022	-	967,899.50	-	1,314,983.10	4,826,373.60	22,755,588.75	-	29,864,844.95
Net book values								
At 30 th June 2021	-	13,112,514.20	-	2,849,036.90	1,438,626.70	45,204,426.25	-	62,604,604.05
At 30 th June 2022	-	12,769,089.50	-	3,039,696.90	2,220,657.40	40,486,851.25	-	58,516,295.05

Valuation of assets had not been done at the time of preparing the financial statements. However, there are plans by the County Government to do a valuation of assets

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2021/22	2020/21
	KShs	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	-	-

33. Investment Property

Description	2021/22	2020/21
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Fair value gain	-	-

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Depreciation (<i>where investment property is at cost</i>)	-	-
At end of the year	-	-

34. Trade and Other Payables

Description	2021/22	2020/21
	KShs	KShs
Trade payables	29,461,653.00	-
Employee dues	-	-
Third-party payments (<i>unremitted payroll deductions</i>)	-	-
Audit fee	-	-
Doctors' fee	-	-
Total trade and other payables	29,461,653.00	-

Notes to the Financial Statements (Continued)

35. Refundable Deposits from Customers/Patients

Description	2021/22	2020/21
	KShs	KShs
Medical fees paid in advance	-	-
Credit facility deposit	-	-
Rent deposits	-	-
Others (<i>specify</i>)	-	-
Total deposits	-	-

36. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount & time value for money	-	-	-	-
Total provisions	-	-	-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-
Total Provisions	-	-	-	-

37. Finance Lease Obligation

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Description	2021/22	2020/21
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
Total	-	-

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

38. Deferred Income

Description	2021/22	2020/21
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
Total	-	-

38 (a) The deferred income movement is as follows:

Description	National government	International funders/ donors	Public contributions and donations	Total
Balance b/f	-	-	-	-
Additions during the year	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to statement of financial performance	-	-	-	-
Other transfers (<i>Specify</i>)	-	-	-	-
Balance C/F	-	-	-	-

39. Borrowings

Description	2021/22	2020/21
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
Balance at end of the period	-	-

Notes to the Financial Statements (Continued)

39. (a) Breakdown of Long- And Short-Term Borrowings

Description	2021/22	2020/21
	KShs	KShs
Current Obligation	-	-
Non-Current Obligation	-	-
Total	-	-

(Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

40. Service Concession Arrangements

Description	2021/22	2020/21
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

41. Cash Generated from Operations

	2021/22	2020/21
	KShs	KShs
Surplus for the year before tax		
Surplus for the year before tax	(4,077,519.00)	-
Adjusted for:		
Depreciation	11,142,075.00	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	9,064,526.00	-
Increase in receivables	(3,944,791.00)	-
Increase in deferred income	-	-
Increase in payables	15,250,747.00	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	27,435,038.00	-

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

Notes to the Financial Statements (Continued)

42. 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 board. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the hospital'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:

Notes to the Financial Statements (Continued)

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	11,333,741.18	11,333,741.18	-	-
Total	11,333,741.18	11,333,741.18	-	-
At 30 June 2022				
Receivables from exchange transactions	18,035,396.00	18,035,396.00	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	36,632,510.18	36,632,510.18	-	-
Total	54,667,906.18	54,667,906.18	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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

The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

The table below represents cash flows payable by the hospital 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	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	11,359,578.00	2,851,328.00	14,210,906.00
At 30 June 2022				
Trade payables	-	16,461,970.00	12,999,683.00	29,461,653.00
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	16,461,970.00	12,999,683.00	29,461,653.00

(iii) Market risk

The hospital does not have an internal audit unit and therefore rely on County 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 hospital'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 hospital does not face any transactional currency exposures. It purchases goods and services in the local currency.

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.

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:

	2021/22	2020/21
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(4,077,519.00)	-
Capital reserve	83,606,652.23	-
Total funds	79,529,133.23	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (excess cash and cash equivalents)	-	-
Gearing	-	-

43. 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.

Government of Kenya

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

Notes to the Financial Statements (Continued)

- i) The National Government;
- ii) The Ministry of Health;
- iii) Government of Makueni County;
- iv) The County department of Health services
- v) Hospital Management Committee;
- vi) Hospital Executive Expenditure Committee
- vii) Hospital Management Team

Description	2021/22	2020/21
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to related parties	-	-
Sales of services to parties	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	51,188,500.00	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
Total	51,188,500.00	-

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total	-	-
c) Key management compensation		
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
	-	-
Total	51,188,500.00	-

44. Events After the Reporting Period

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

45. Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the department of Health Services. Its ultimate parent is the Government of Makueni.

46. Currency

The financial statements are presented in Kenya Shillings (Kshs).