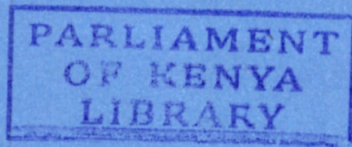


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

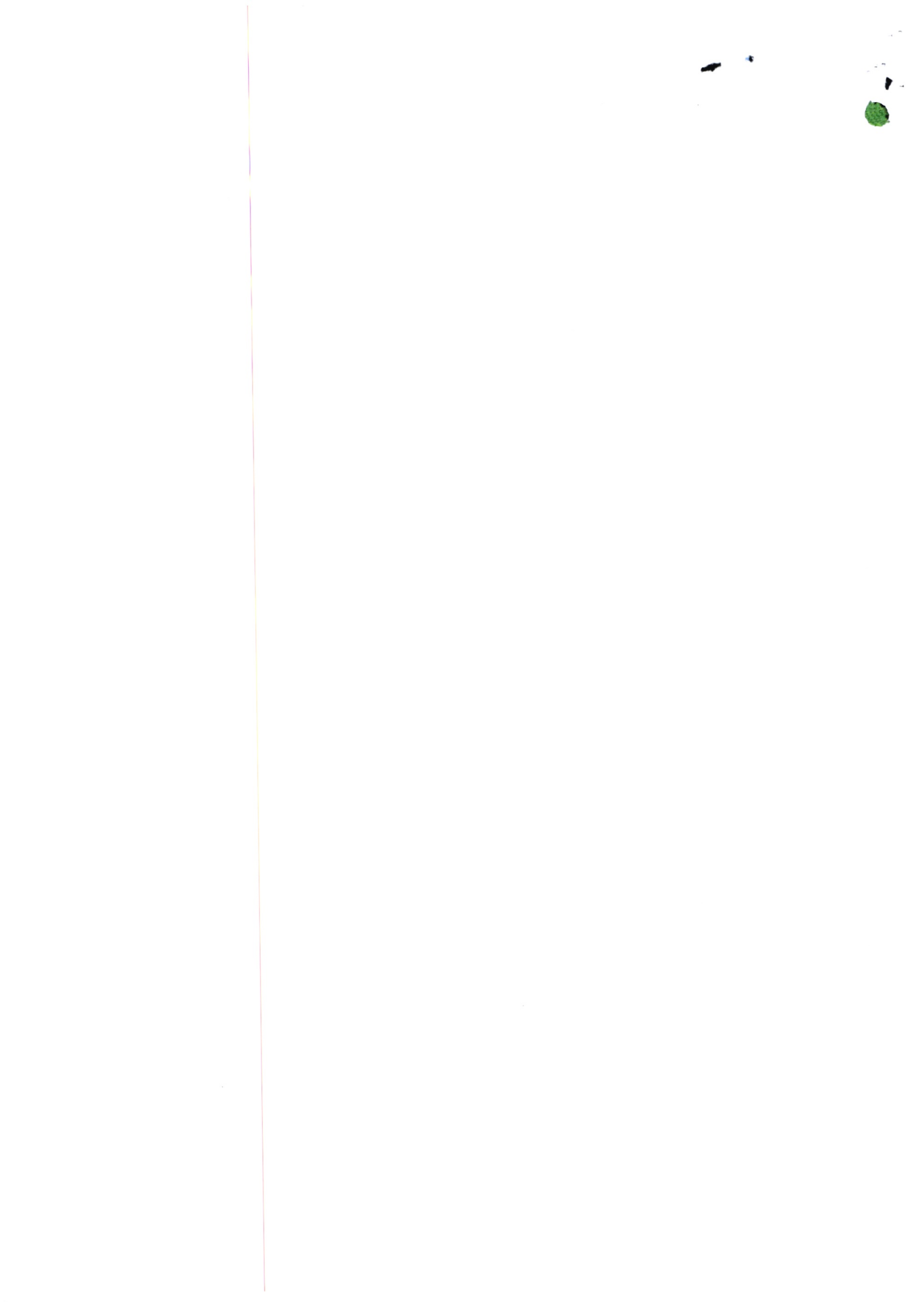
**ON**

**MANGA SUB-COUNTY LEVEL 4 HOSPITAL**

**FOR THE YEAR ENDED**

**30 JUNE, 2023**

**COUNTY GOVERNMENT OF NYAMIRA**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
14 JUN 2024  
**RECEIVED**



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# **MANGA LEVEL IV HOSPITAL (County Government of Nyamira)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

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

DATE	18/09/24
FILED BY	M. Leader
COMMITTEE	—
OFFICER	Angela
PAPERS LAD	

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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## **1. Acronyms & Glossary of Terms**

CSR	Corporate Social Responsibility
OPD	Outpatient Department
PFMA	Public Financial Management Act
MED SUPT	Medical Superintendent
HAO	Health Administrative Officer
HMT	Health Management Team
HMB	Hospital Management Board
FY	Financial Year
RCO	Registered Clinical Officer
NHIF	National Hospital Insurance Fund
IPSAS	International Public Sector Accounting Standards
SCMOH	Sub—county medical officer of health
CHMT	County health management team
MOH	Ministry of health
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**2.Key hospital Information and Management**

**(a) Background information**

Manga Hospital is a level (4/5) hospital established under gazette notice number 786 of 4<sup>TH</sup> February 2020 And is domiciled in NYAMIRA County under the Health Department. The hospital is governed by a Board of Management.

**(b) Principal Activities**

The principal activity of the hospital is to provide quality, affordable and accessible health care services to the community. The hospital's vision is to be a center of excellence in health service delivery in the region<sup>2</sup>. The hospital's mission is to promote health and well-being through prevention, diagnosis, treatment and rehabilitation of diseases and injuries.

**(c) Key Management**

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

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

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	Dr.Sam Ombati
2.	Head of Accounting Services	CPA Jemimah Abuga
3.	Head of Supply Chain Management	Ms. Peres NyakerarioMose
4.	Accounting Officer-Department of Health Services (Medical Services)	Mr. Andrew OngereNyakundi
5.	Director Internal Audit	CPA Ann NyanchamaOngera
6.	Treasury Accountant	Mr.Peter Kirioba
7.	Health Administrative Officer	Mr. Jared Gichana
8.	Health Accountant	Mr.NebartKigwa

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**(a) Fiduciary Oversight Arrangements**

The fiduciary oversight of the county is done by:

**i)The County Assembly**

The County assembly, pursuant to the constitution of Kenya, 2010 and the County Government Act, 2012 under Article 8(1) has fiduciary oversight role over the execution of the functions of the County Government., it approves the budget and expenditure of the County Government in accordance with article 207of the constitution of Kenya. It also approves the borrowings of the County Government in accordance of the constitution 212of the Constitution of Kenya 2010.

**ii) The Controller of budget**

The controller of budget has fiduciary oversight role of the County Government under article 22(5) of the Constitution of Kenya, 2010 by approving withdrawal from the public funds only when satisfied that the is authorized by law.

**iii) County Executive Committee**

The County Executive Committee exercise executive authority in accordance with the constitution and county legislation.

**iv)Internal Audit Department**

The internal Audit Department of the County Government of Nyamira ensures that the internal controls exist and are adhered to. The internal Audit reports to the county Audit Committee.

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

(e) **Manga Level 4 Hospital Headquarters**  
P.O. Box 434-40500  
Nyamira Kenya.




(f) **Manga Level 4 Hospital Contacts**  
Telephone: (+254) 0716034132  
E-mail: .info@nyamira.go.ke  
Website: www.nyamira.go.ke

(g) **Manga Level 4 Hospital Bankers**  
Kenya Commercial Bank  
Kisii Branch.



(h) **Independent Auditors**  
Auditor General  
Office of Auditor General  
Anniversary Towers, Institute Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

(i) **County Attorney**  
Office of the County Attorney  
County Government of Nyamira  
P.O BOX 434-40500  
Nyamira, Kenya

3.The Board of Management

Directors	Details
 <p>CPA.EMILY MORAA ONGAGA <b>Executive Committee Member. Finance ICT and Economic Planning</b></p>	<p><b>.Academic Qualifications</b> Mrs Emily MoraaOngaga holds a Master of Business Administration (Finance) degree from Egerton University and a Bachelor of Arts (Economics &amp; Sociology) degree from the University of Nairobi.</p> <p><b>Professional Experience</b> Prior to her appointment, she served as the Director Corporate Services in the National Commission for Science, Technology and Innovation. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She has a wealth of experience from various institutions spanning twenty one years.</p>
 <p>Dr.TimothyMokuaOmbati <b>Executive Committee Member For Health Services</b></p>	<p>He is a medical practitioner having studied Bachelor's Degree in Medicine and surgery from Kampala International University, Masters in Health Systems Management from Kenya Methodist University and on-going with Masters in public health at Kisii University.</p> <p><b>Professional Experience:</b> Worked as a general practitioner in various Hospitals within Nyamira County and rose to Medical Superintendent and also offered voluntary services to UNHCR at Hagaderasololo mission hospital and Ethiopia's Oromia state.</p>
	<p><b>Academic Qualifications</b> Diploma Holder in Early Childhood education</p> <p><b>Professional Experience</b> He is a teacher by profession, and the current chairman of the Board. Currently treasurer Westfield SDA conference</p>

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

<p>Mr. Daniel Otero</p> <p><b>Board Chairperson</b></p>	
 <p>Dr. Atandi Samuel Ombati          MOH MANGA SUB COUNTY  <b>Medical Superintendent</b>  <b>Secretary, Hospital Management Board</b></p>	<p><b>Academic Qualifications</b></p> <p>A medical practitioner having trained at the Kharkov National Medical University Ukraine and graduated in the Year 2010.</p> <p><b>Professional Experience</b></p> <p>Worked as a medical intern at Mbagathi District Hospital and later on as a medical officer at Nyamira County Referral Hospital.</p> <p>Served as a medical Superintendent Nyamusi Sub County Hospital, 2015-2017</p> <p>Nyamira County Referral Hospital 2017-2020</p> <p>Worked as SCMOH Manga -2020-present</p> <p>Currently Medsupt Manga Sub County Hospital 2023-present</p>
 <p>Mr. Richard Omuya Makori  <b>Board Member</b></p>	<p><b>Academic qualifications</b></p> <p>Graduated from Mawego Technical with Diploma in science laboratory</p> <p><b>Professional experience</b></p> <p>Member Kitutu Masaba NGCDF</p>

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

		<p><b>Academic Qualification</b>          Bachelors in Nursing /Epidemiology From Great Lakes University of Kisumu</p> <p><b>Professional Experience</b>          Currently working at County Government of Homabay (Tala Health Centre)</p>
		<p><b>Academic Qualification</b>          Teacher by profession</p> <p><b>Professional Experience</b>          Regional Coordinator at Manga Heart Africa</p>
		<p><b>Academic Qualification</b>          Bachelors of Education from Bugema University          Masters in International Relations from Nottingham Trent University</p> <p><b>Professional Experience</b>          Teacher at Rigoma Secondary School          Manager Capital Limited and currently Manga Subcounty Administrator</p>

Mr Joash Bosire  
**Board Member**

Mr. Benard Nyaundi Oseko  
**Board Member**

Mr. Edwin Kiboma  
**Board Member**

Manga Level (IV) Hospital (County Government of Nyamira)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023

4. Management Team

Ref	Management	Details
1.	Dr..AtandiSamwelOmbati	Medical superintendent
2.	Mr.JaredAmwomaGichana	Health Administrative Officer
3.	Mr.RonaldSossy	Nursing Officer In charge
4.	Dr.CharityWaruiNyakinyua	Pharmacist In Charge
5.	Mr. Elijah IsabokeOuko	Laboratory In charge
6.	Lorna Mogambi	Health Records In charge

**5. Chairperson's Statement**

Manga-Sub-County Hospital is main mandate is to provide basic health care services, strengthens its provision in curative, promotive, preventive and rehabilitative health services.

It offers specialized clinical services in various departments, also serves as a research, training centre for medical students and health workers. The future plans for the hospital are to establish 70 bed capacity in order to introduce casualty, emergency and theatre which is already functional.

Manga Level 4 Hospital financial statement for FY 2022/2023 ending 30 June 2023 the statement presents the financial performance of the facility in terms of providing affordable health care services which is quality.

**OPERATING ENVIRONMENT**

Manga Level 4 Hospital it started on high operating note in that the FIF (Facility Improvement Fund) ACT of 2022 is in place whereby, 85% of revenue collected is retained to impact the facility positively in terms of:

- i. Infrastructure improvement
- ii. Clinical services
- iii. Preventive services.

The hospital management Board and Hospital management team is striving to position the facility as the regional facility lead in providing efficient services in health care through mobilization of resources and allocation of the same in line with the status of the hospital (LEVEL 4).

The Hospital Board is also seeking to improve and connect the facility with various stake holders both private and public to provide assistance needed to propel the facility to the higher levels.

**STRATEGIC DIRECTION.**

This comes into play through shaping and changing the process that the Board of Management approved to upgrade the hospital into a fully-fledged level 4 Hospital.

To first track the Board of management it brings in qualified consultants in jump starting the process of giving the hospital an autonomy towards its operations which is under implementation by the management.

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**ACHIEVEMENTS**

The health management Board and Health management team has achieved great in terms of revenue generation in the fiscal year 2022/2023 as compared to previous years before FIF was introduced also infrastructural development like tiling the hospital floor, plumbing and operationalization of linen washing machine.

**FUTURE**

Looking into the future the Board is fully prepared in upgrading the level of the hospital to a Level 4B by continuing investing in modern technology, infrastructural and specialized human resource to position the hospital as a centre of excellence in health care provision in Nyamira County.

I greatly appreciate the commitment and support of the shareholders, staff, Board and Management to the vision and mission of Manga Level 4 Hospital.



.....  
Mr. Daniel Otero  
Chairperson  
Hospital Board of Management

## **6.Report of The Medical Superintendent**

### **a) INTRODUCTION**

Manga Sub County Hospital has been existence for more than 50 years having been established in the earlier 90s to provide health care services to the residence of Manga Division of Nyamira District by then.

It has grown from a dispensary to the current status of a level 4A serving a population of 10,000 people. As a public hospital, MANGA LEVEL 4 HOSPITAL is governed by the policies and regulations set by both National and County Government departments in charge of health services. The main mandate of the facility is to provide curative, preventive, promotive and rehabilitative health care services.

It offers specialized clinical services in various departments and serves as a centre for training for medical students and healthcare workers.

### **b) REVENUE**

(i)The main source of revenue for the fiscal year ended 30June2023 is through FIF and County grants.

(ii) Expenditure-the total expenditure during the period amounted to Ksh 4,956,000 whereby the main budget consumers were medical drugs, staff remunerations, non-pharms, and patients' food among others.

(iii)Deficit-the hospital has a deficit of finance in this financial year 2022/2023.

As it was presented by the department optimal operational was at 9, 000, 000, other costs such as salaries and wages, infrastructural ,drugs, food among others runs to 15,000,000 living a huge deficit compared to the actual revenue collected.

### **c) STRATEGY**

It is aimed at achieving improved client satisfactory, financial sustainability and infrastructure development that boost the modern standards of health.

### **d) ACHIEVEMENTS**

Due to introduction of FIF the hospital management and board has realized the improvement in terms of revenue collection which has assisted the hospital to come up with structural face lifts like tiling of hospital floors.

### **e) CHALLENGES**

The hospital is undergoing various challenges ranging from financial constraints, human resource, environmental challenges and infrastructural i.e. poor conditions of buildings, technological growth.

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**


**f) FUTURE**

Going to the future the hospital board and management is working along the clock to make sure technological infrastructure (HMIS) is in place through collaboration with county government, donors and National government.

**g) APPRECIATION**

I take this opportunity to sincerely appreciate the county government, staffs and stakeholders for the great support have given to the hospital to make this great milestone in achieving the above and looking forward for their continued support in the financial year 2023/2024.

Signed:



.....  
Dr. Atandi Samuel Ombati  
Medical Superintendent

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**7.Statement Of Performance Against Predetermined Objectives**

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

*The Hospital* has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: CLINICAL SERVICE DELIVERY

Pillar/theme/issue 2: FINANCING /HUMAN RESOURCE

Pillar/theme/issue3: QUALITY IMPROVEMENT

MANGA HOSPITAL develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Hospital achieved its performance targets set for the FY 2022/2023 period for its annual strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar/ theme/ issue 1:CILINICAL SERVICES	Establish and enhance good clinical services	Drugs in place Updated SOPS Stock out tracer.	<ul style="list-style-type: none"> <li>• Rational use of medication</li> <li>• Timely clinical audit</li> </ul>	Zero morbidity and mortality reduction. Drugs in place.
Pillar/ theme/ issue 1:FINANCING / HUMAN RESOURCE	Increase revenue generation Improve performance management	Revenue reports Staff appraisals	<ul style="list-style-type: none"> <li>• Diversify revenue streams</li> <li>• Annual staff appraisals</li> </ul>	Revenue improved compared to previous Staffs appraisals done.
Pillar/theme/issue 3:QUALITY IMPROVEMENT	Enhance continuous quality improvement Enhance customer care service	Trainings reports Customer care desk	<ul style="list-style-type: none"> <li>• Training of staff on key issues affecting the current healthcare environment</li> </ul>	Staff trained Customer care desk introduction.

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**8. Corporate Governance Statement**

Manga Sub County Hospital Board of management is responsible for the corporate governance of the hospital and is accountable to the department of health services of Nyamira County.

The board is in place in ensuring that the hospital complies with the laws and standards of governance and ethics.

**(a) Board of Management**

It comprises of non-executive members appointed by the governor and they are held accountable and responsible for the efficient and effective governance of the hospital.

Members of the board bring in range of skills and experience to board discussions. The term is 3 years renewal subject to performance.

Key Roles and Responsibilities of the Board:

- i. Resource mobilization
- ii. Approve and adopt strategic plans and budget
- iii. Review performance against approved budget
- iv. Determine overall policies and processes

**(b) Board meetings**

The board as per the annual work plan meets quarterly or additional when necessary to consider matters of overall control of the hospital. The board agenda and work plan are prepared earlier in the year with agendas and circulated within stipulated time lines.

**(c) Board Remuneration**

They are entitled to allowances

**(d) Committee of the Board**

The board has five standing committees which meet regularly under the terms of reference set by the Board. They are as follows:

- Finance committee
- Quality and development committee
- Audit committee
- Resource mobilization

**9. Management Discussion and Analysis**

The consideration in restructuring an organization is the effective coordination of roles and responsibilities to avoid overlap and clear accountability for the results.

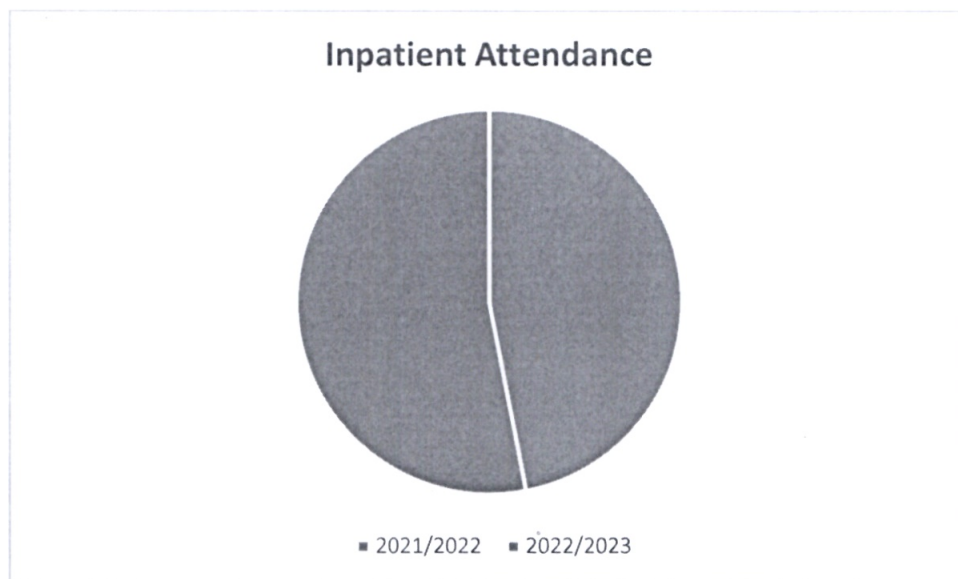
The overall leadership and governance of Manga Sub County Hospital will be vested in the management board while day to day running of the hospital is vested on the medical superintendent.

The Medical superintendent is assisted by HMT members who are heads of departments with defined roles as by the governance framework of the hospital

**Clinical/operational performance**

**- Bed capacity of the hospital.**

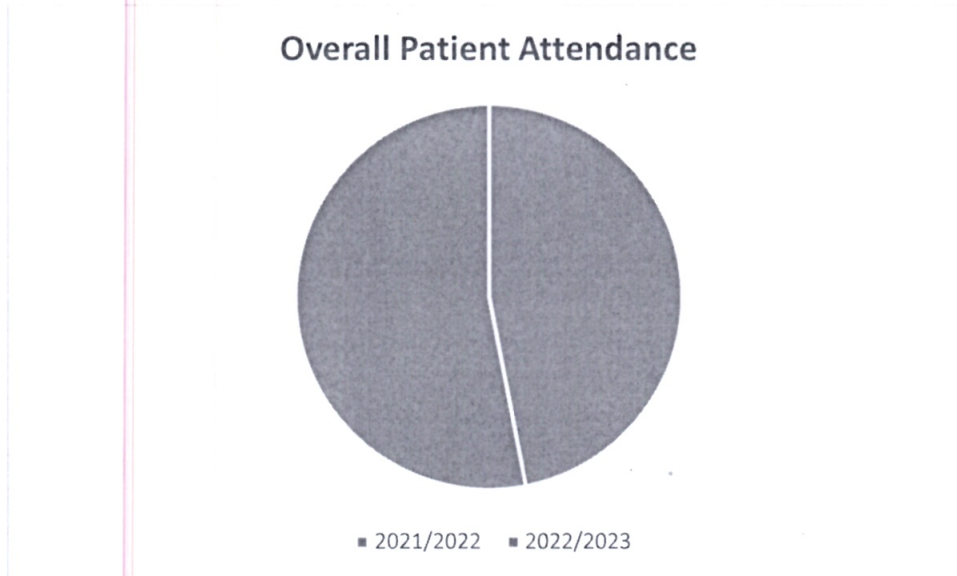
FY-2021/2022 was 21 beds. Patients' attendance 502. FY 2022/2023 was 21 beds. Patients' attendance 480.



**Manga Level (IV) Hospital (County Government of Nyamira)**  
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**Overall patient attendance during the year for both inpatient and outpatient.**

Patient attendance 2022/2023 was 16,058 as compared to FY 2021/2022 15,200



**- Accident and Emergency attendance**

FY2022/2023-100 patients

**- Specialised clinic attendance**

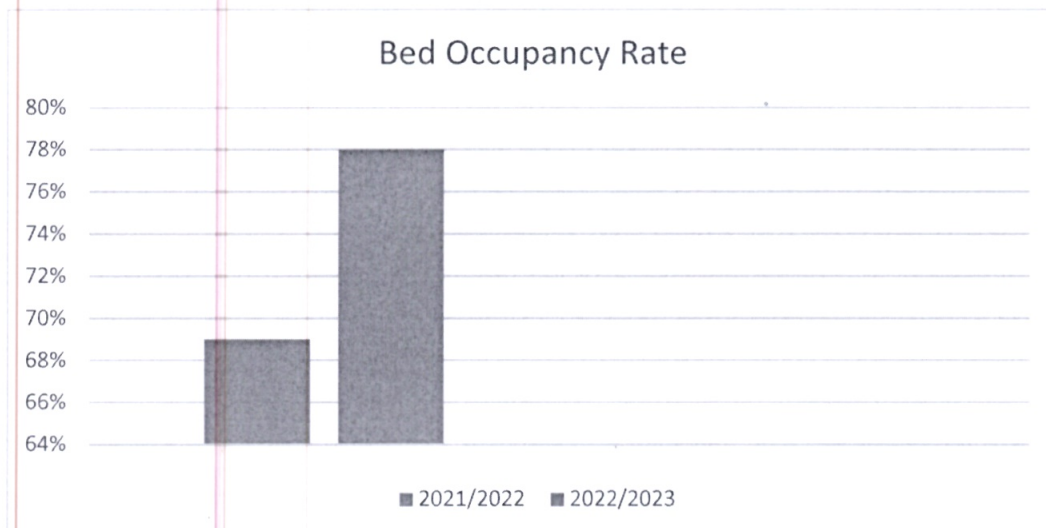
FY 2022/2023 600 patients

**- Average length of stay for in patient**

FY2022/2023 5-10day

**- Bed occupancy rate**

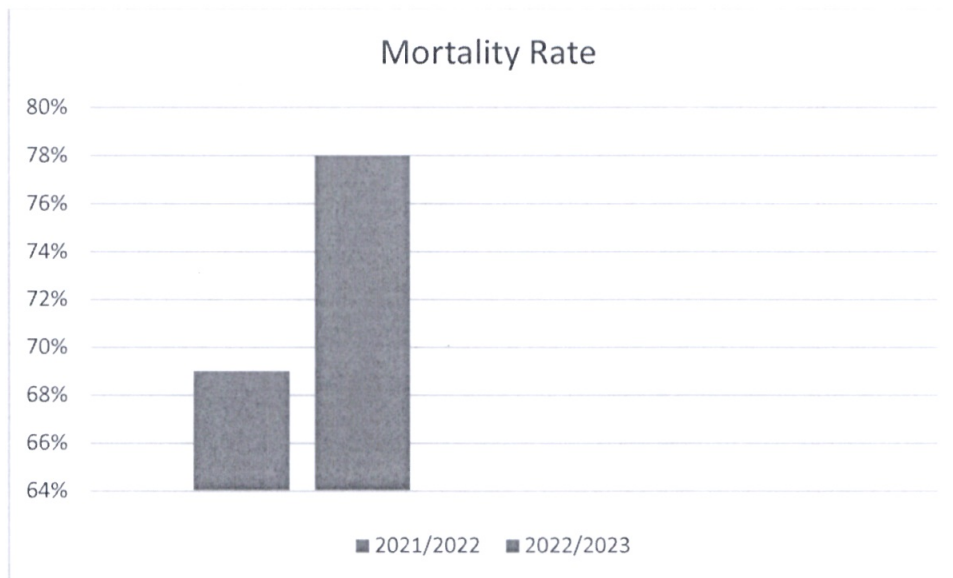
FY 2022/2023 78%as compared to FY 2021/2022 which has a bed occupancy rate of 69%



**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**- Mortality rate**

FY 2022/2023 under 5 patients' 10% and over 5 patients' 40% as compared to FY 2021/2022 Under 5 patients' 3% and over 5 patients' was at 37%



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

FY 2022/2023 70%

**Financial performance that includes**

- Revenue sources-clinical, Linda Mama, emergency services etc.

**10. Environmental And Sustainability Reporting**

Manga Sub County Hospital exist to transform lives hence delivers our strategies by putting patients as a priority through improving health services and operational excellence. Below is an outline of the organizations policies and activities that promote sustainability.

**i) Sustainability strategy and profile**

The hospital and its stakeholders are more concern on a need to ensure sustainability in terms of resource mobilization to secure its future.

The hospital has reviewed its resource mobilization strategy and proposed financing options which include:

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

1. Surgical services
2. Mortuary services
3. Accident and emergency services etc.

**ii) Environmental performance**

The hospital is compliant with National waste management policy guidelines managing of waste generated.

**iii) Employee welfare**

Improvement of employee skills and career management is done through sponsorship by going for further studies in line with their careers.

They go for trainings programs emphasize for performance improvement addressing both individual and organization goals.it is done to identify areas of weakness and support the individual in order to get better results.

**iv) Market place practices-**

**a) Responsible competition practice.**

It is done through available county website for advertising purposes.

**b) Responsible Supply chain and supplier relations**

It ensures involvement of suppliers in the tendering process and feedback given to supplies in good time as well as prompt payment for goods and services rendered.

**c) Responsible marketing and advertisement**

It strives to advertise its services through use of county website and other journals.

**d) Product stewardship**

The hospital strives to adhere to laid down best practices in rendering its services and ensuring its products like drugs are of high standards as by pharmacy and poisons board to ensure the safety of its consumers.

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

The hospital has impacted people's lives by ensuring quality of lives of people from vulnerable families.

**Manga Level (IV) Hospital (County Government of Nyamira)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**11. Report of The Board of Management**

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2023 which show the state of the hospital's affairs.

**Principal activities**

The principal activities of the hospital provision of healthcare services to the general public.

**Results**

The results of the hospital for the year ended June 30, 2023 are set out on page 2-7

**Board of Management**

The members of the Board who served during the year are shown on page **vi-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 Certified Public Accountants were nominated by the Auditor General to carry out the audit of the hospital for the year/period ended June 30 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Dr. Atandi Samuel Ombati  
Secretary to the Board  
Manga Sub County Hospital.

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**12. Statement of Board of Management's Responsibilities**

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


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

The Board of Management accepts responsibility for the hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and). The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of hospital's transactions during the financial year ended June 30<sup>th</sup>2023, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Hospital's financial statements were approved by the Board on 29th September 2023 and signed on its behalf by:

  
.....

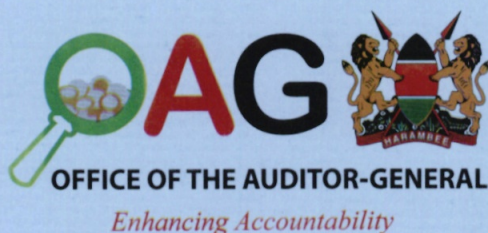
**Name: Mr. Daniel Otero**  
**Chairperson**  
**Board of Management**

  
.....

**Name: Dr. Samuel A. Ombati**  
**Medical Superintendent**

# 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 MANGA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF NYAMIRA

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### 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 that the 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 Manga Sub-County Level 4 Hospital – County Government of Nyamira set out on pages 2 to 35, which comprise of

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*Report of the Auditor-General on Manga Sub-County Level 4 Hospital for the year ended 30 June 2023 - County Government of Nyamira*

the statement of financial position as at 30 June, 2023, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Manga Sub-County Level 4 Hospital – County Government of Nyamira as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the Health Act, 2017 and County Government Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Variance in Revenue from Rendering of Services**

The statement of financial performance reflects revenue from rendering of services – medical services income of Kshs.5,848,700 as disclosed in Note 8 to the financial statements. The amount includes a balance of Kshs.4,394,180 in relation to National Hospital Insurance Fund (NHIF) reimbursement. Review of the NHIF records revealed that the Fund made reimbursements to the Hospital totalling Kshs.6,114,195 resulting in an unexplained variance of Kshs.1,720,015.

In the circumstances, the accuracy and completeness of revenue from rendering of services – medical services income of Kshs.4,394,180 could not be confirmed.

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

The statement of financial position and Note 18 to the financial statements reflect property, plant and equipment balance of Kshs.58,795,870. However, Management did not provide a fixed assets' register or a valuation report in support of the balance. Further, review of records revealed that the ownership of the land has been contested and two cases which are currently in court under criminal case No.549 of 2011 and a civil case No. 108 of 2010. The cases had not been concluded at the time of the audit.

In addition, Note 18 to the financial statements reflects depreciation costs amounting to Kshs.3,716,553. However, the Hospital's depreciation policy was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.58,795,870 could not be confirmed.

### **3. Unsupported Inventory Balance**

The statement of financial position and disclosed in Note 17 to the financial statements reflect inventories balance of Kshs.450,000. However, the balance was not supported with stores ledgers and annual stock take report. Further, the stock cards did not indicate the balances of the inventories held by the Hospital as at 30 June, 2023.

In the circumstances, the accuracy and completeness of the inventory figure of Kshs.450,000 could not be confirmed.

### **4. Inaccuracy of the Capital Fund Balance**

The statement of changes in net assets reflects a balance of Kshs.64,373,641 in respect of the capital fund. However, the statement of financial position reflects an amount of Kshs.62,512,423 resulting to an unexplained variance of Kshs.1,861,218.

Further, the balance of Kshs.64,373,641 which is indicated as having been brought forward from the previous financial year 2021/2022, was not supported with any verifiable documents.

In the circumstances, the accuracy and completeness of the capital fund balance of Kshs.64,373,641 could not be confirmed.

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

### **Key Audit Matters**

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

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

### **Conclusion**

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

## Basis for Conclusion

### 1. Failure to Submit Financial Statements for the Financial Year 2021/2022

Management did not submit the financial statements for the financial year 2021/2022 for audit as required by the guidelines on preparation of financial statements. This is contrary to Section 47(1) of the public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

Further, Paragraph 5.3 of the Public Sector Accounting Standards Board guidelines on implementation of IPSAS Accrual by level 4 and 5 Public Hospitals in Kenya states that the hospitals' reporting period runs from 1st July to 30<sup>th</sup> June each year. The first period of reporting under the new accounting framework is 30 June, 2022. The level 4 and 5 hospitals were expected to prepare financial statements for twelve (12) months from 1<sup>st</sup> July, 2021 to 30<sup>th</sup> June, 2022 and subsequent periods.

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

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

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eighty-seven (87) staff requirements or 86% of the authorized establishment. The details are as shown in the table below:

	<b>Level 4 Standard</b>	<b>Number in Hospital</b>	<b>Variance</b>	<b>Percentage (%)</b>
Medical Officers	16	2	14	87
Anesthesiologist	2	0	2	100
General surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health nurses	75	12	63	84
<b>Total</b>	<b>101</b>	<b>14</b>	<b>87</b>	<b>86</b>

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

<b>Service</b>	<b>Level 4 Standard</b>	<b>Actuals in the Hospital</b>	<b>Variance</b>	<b>Percentage In Place (%)</b>
Beds	150	21	129	86
Resuscitaire (2 in Labour ward, 1 in Theatre)	3	1	2	67
New born Unit - Incubators	5	1	4	80
New Born Unit - Cots	5	1	4	80
Functional Intensive Care Unit beds	6	0	6	100
Functional High Dependency Unit Beds	6	0	6	100
Dialysis Machines	5	0	5	100
Operational Theatres; Maternity and General	2	1	1	50

The 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..

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

The statement of financial performance reflects Kshs.11,241,192 in relation to the rendering of services -medical income as disclosed in Note 8 to the financial statements. However, the Hospital did not provide evidence to show that the revenue collection reports were prepared and submitted to the County treasury with a copy to the Auditor General as per the requirement of Regulations 65 (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, the Hospital was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions, and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Lack of Internal Audit Function**

During the year under review, the Hospital operated without an internal audit function and was relying on the internal audit services from the County Government of Nyamira. This is contrary to Section 155(5) of the Public Finance Management Act, 2012 which requires County Government entities to establish an internal audit committee whose composition and functions are to be prescribed in the regulations.

In the circumstances, the effectiveness of Management to provide reasonable assurance on Hospital operations could not be confirmed

### **2. Unutilized Infrastructure Facilities - Managed Equipment Services (MES)**

The Hospital received various equipment and accessories of an undetermined value between the years 2018 and 2022 from the National Government under the Managed Equipment Services (MES) project. Audit inspection revealed that some of the assets are still idle in the Hospital store mainly due to lack of qualified personnel for theatre services. Further, it was observed that the maintenance contract period has since lapsed and in case of any breakdown of the machines already in use, then the Hospital would be exposed to disruption in their services to the public.

In the circumstances, the unutilized equipment and accessories may have impacted negatively on the service delivery to the public.

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 control in order to give an assurance on the effectiveness

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 judgement and maintain professional skepticism throughout the audit. I also:

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

10 July, 2024

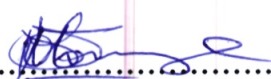
**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**


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

Description	Notes	2022/23
		Kshs
<b>Revenue from non-exchange transactions</b>		
In- kind contributions from the County Government pharmaceutical and non-pharms.	6	59,648,544
In- kind contributions from MOH and donors	7	12,322,521
Rendering of services- Medical Service Income	8	7,592,410
<b>Total revenue</b>		<b>79,563,475</b>
<b>Expenses</b>		
Medical/Clinical costs	9	16,399,541
Employee costs	10	58,366,324
Board of Management Expenses	11	200,000
Repairs and maintenance	12	957,520
General expenses	13	1,784,755
Depreciation and amortization	14	3,716,553
<b>Total expenses</b>		<b>81,424,693</b>
<b>Net Surplus/Deficit for the year</b>		<b>(1,861,218)</b>

The notes set out on pages 8 to 33 form an integral part of the Annual Financial Statement

The Hospital's financial statements were approved by the Board on 28/9/2023 and signed on its behalf by:

  
 .....  
**Mr. Daniel Otero**  
**Chairman**  
**Board of Management**

  
 .....  
**CPA Jemimah B Abuga**  
**Head of Accounting**  
**Services**  
**ICPAK No: 12842**

  
 .....  
**Dr. Atandi Samuel Ombati**  
**Medical Superintendent**

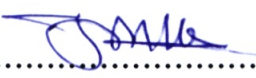
15. Statement of Financial Position as of 30<sup>th</sup> June 2023

Description	Notes	2022/23
		Kshs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	15	1,511,625
Receivables from exchange transactions	16	1,743,710
Inventories	17	450,000
<b>Total Current Assets</b>		<b>3,705,335</b>
<b>Non-current assets</b>		
Property, plant, and equipment	18	58,795,870
<b>Total Non-current Assets</b>		<b>58,795,870</b>
<b>Total Assets</b>		<b>62,501,205</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	19	1,850,000
<b>Total Current Liabilities</b>		<b>1,850,000</b>
<b>Non-current liabilities</b>		
Non-current Liabilities		0
<b>Total Liabilities</b>		<b>1,850,000</b>
<b>NET ASSET</b>		
Accumulated surplus/Deficit		(1,861,218)
Capital Fund		62,512,423
		<b>60,651,205</b>
<b>Total Net Assets and Liabilities</b>		<b>62,501,205</b>

The Hospital's financial statements were approved by the Board on 28/9/2023 and signed on its behalf by:

  
.....

**Mr. Daniel Otero**  
Chairman  
Board of Management

  
.....

**CPA Jemimah B Abuga**  
Head of Accounting  
Services  
ICPAK No: 12842

  
.....

**Dr. Atandi Samuel Ombati**  
Medical Superintendent

**Manga Level (IV) Hospital (County Government of Nyamira)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
At July 1, 2022		-	64,373,641	64,373,641
Surplus/(deficit) for the year		(1,861,218)	0	(1,861,218)
Capital/Development grants			0	0
At June 30, 2023		(1,861,218)	64,373,641	62,512,423

The notes set out on pages 8 to 33 form an integral part of the Annual Financial Statements

The Hospital's financial statements were approved by the Board on 28/9/2023 and signed on its behalf by:

  
 .....

**Mr. Daniel Otero**  
**Chairman**  
**Board of Management**

  
 .....

**CPA Jemimah B Abuga**  
**Head of Accounting**  
**Services**  
**ICPAK No: 12842**

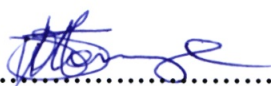
  
 .....

**Dr. Atandi Samuel Ombati**  
**Medical Superintendent**

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

Description		2022/23
	Note	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
In- kind contributions from the County Government pharmaceutical and non-pharms.	6	59,648,544
In- kind contributions from MOH and donors	7	12,322,521
Rendering of services- Medical Service Income	8	7,592,410
<b>Total Receipts</b>		<b>79,563,475</b>
<b>Payments</b>		
Medical/Clinical costs	9	16,399,541
Employee costs	10	58,366,324
Board of Management Expenses	11	200,000
Repairs and maintenance	12	957,520
General expenses	13	1,784,755
Depreciation and amortization	14	3,716,553
<b>Total Payments</b>		<b>81,424,693</b>
<b>Net cashflows from operating activities</b>		<b>(1,861,218)</b>
Adjust for:		
Depreciation and Amortization	14	3,716,553
Increase/Decrease in Accounts Receivable	21	(1,743,710)
Increase/Decrease in Inventories	22	(450,000)
Increase/Decrease in Accounts Payable	23	1,850,000
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>1,511,625</b>
<b>Cash and cash equivalents as at 30 June 2023</b>	20	<b>1,511,625</b>

The notes set out on pages 8 to 33 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 28/9/2023 and signed on its behalf by:



**Mr. Daniel Otero**  
**Chairman**  
**Board of Management**



**CPA Jemimah B Abuga**  
**Head of Accounting**  
**services**  
**ICPAK No: 12842**



**Dr. Atandi Samuel Ombati**  
**Medical Superintendent**

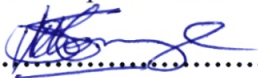
18. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Rendering of services- Medical Service Income	4,435,417	3,314,776	7,750,193	7,592,410	157,783	98%
	12,322,521	0	12,322,521	12,322,521	0	100%
In-kind contribution from county government	64,648,544	0	64,648,544	59,648,544	5,000,000	92%
<b>Total income</b>	<b>81,406,482</b>	<b>3,314,776</b>	<b>84,721,258</b>	<b>79,563,475</b>	<b>5,157,783</b>	<b>94%</b>
<b>Expenses</b>						
Medical/Clinical costs	17,039,970	2,000,000	19,039,970	16,399,541	2,640,429	86%
Employee costs	58,066,324	300,000	58,366,324	58,366,324	0	100%
Remuneration of directors	250,000	50,000	300,000	200,000	100,000	67%
Repairs and maintenance	1,650,000	10,000	1,660,000	957,520	702,480	58%
General expenses	683,635	954,776	1,638,411	1,784,755	(146,344)	109%
Depreciation	3,716,553	0	3,716,553	3,716,553	0	100%
<b>Total</b>	<b>81,406,482</b>	<b>3,314,776</b>	<b>84,721,258</b>	<b>81,424,693</b>	<b>3,296,565</b>	<b>96%</b>
<b>Surplus/Deficit for the year</b>	-	-	-	<b>(1,861,218)</b>	<b>1,861,218</b>	

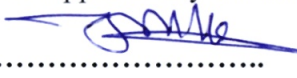
- a) Remuneration of board members was underachieved by 33% due to the lapse in the tenure of the existing board members within the year.
- b) Expenses for repairs and maintenance were underachieved by 42% stemming from the need for urgent medical costs for the year.

The notes set out on pages 8 to 33 form an integral part of the Annual Financial Statements

The Hospital's financial statements were approved by the Board on 29/09/2023 and signed on its behalf by:

  
.....

**Mr. Daniel Otero**  
**Chairman**  
**Board of Management**

  
.....

**CPA Jemimah B Abuga**  
**Head of Accounting Services**  
**ICPAK No: 12842**

  
.....

**Dr. Atandi Samuel Ombati**  
**Medical Superintendent**

**19. Notes to the Financial Statements**

**1. General Information**

Manga Sub County Hospital is established by and derives its authority and accountability from PFM Act. The hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The hospital's principal activity is provision of primary health 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 accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the hospital.

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

**3. Adoption of New and Revised Standards**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an hospital 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"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an hospital’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting hospital provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Hospital;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Hospital’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from</p>	<p><b>Applicable: 1st January 2023:</b></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</p>

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Standard	Effective date and impact:
IPSAS 41, Financial Instruments	<p>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><i>Applicable 1<sup>st</sup> January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2022</li> </ul>

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

<p>IPSAS 43</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 43</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

*ii.* **Early adoption of standards**

The hospital did not early – adopt any new or amended standards in the year 22/23

**4. Significant Accounting Policies continues**

**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 if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the hospital and can be measured reliably.

**Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery

of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the hospital.

**Interest income**

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

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the hospital's right to receive payments is established.

### **Rental income**

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

### **b. Budget information**

The original budget for FY 2022/2023 was approved by Board on 20/6/2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded additional appropriations of **Ksh. 3,314,776** on the FY 2022/2023 budget following the Board's approval. The hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under section 18 of these financial statements.

### **c. Taxes**

#### **Sales tax/ Value Added Tax**

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

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

**d. Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

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

**e. Property, plant and equipment**

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

as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**f. Leases**

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

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

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

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

**g. Intangible assets**

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

**h. Research and development costs**

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

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

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

**i. Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments

Or available-for-sale financial assets, as appropriate. The Hospital determines the classification of its financial assets at initial recognition.

**Loans and receivables**

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

**Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the hospital has the positive

Intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

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

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

## **Financial liabilities**

### **Initial recognition and measurement**

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

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

### **Loans and borrowing**

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

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

#### **a. 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

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

**b. Provisions**

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

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

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

**Contingent liabilities**

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

**Contingent assets**

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

**c. Nature and purpose of reserves**

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

**d. Changes in accounting policies and estimates**

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

**e. Employee benefits**

**Retirement benefit plans**

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

**f. 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.

**g. 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.

**h. Related parties**

The hospital regards a related party as a person or an hospital with the ability to exert control individually or jointly, or to exercise significant influence over the hospital, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

**i. Service concession arrangements**

The Hospital analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Hospital recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**j. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imp rests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**k. Comparative figures**

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

**l. Subsequent events**

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

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

### **Estimates and assumptions**

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

#### **Useful lives and residual values**

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

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

### **Provisions**

Provisions were raised and management determined an estimate based on the information available.

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

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**6. In Kind Contributions from The County Government**

Description	2022/23
	KShs
Salaries and wages in kind from the county government	57,279,324
Pharmaceutical and Non-Pharmaceutical Supplies	2,369,220
<b>Total grants in kind</b>	<b>59,648,544</b>

**7. Grants and Donations from Development Partners**

Description	2022/2023
	KShs
Donations from Donors (in kind)	12,322,561
<b>Total</b>	<b>12,322,561</b>

**8. Rendering of Services- Medical Services Income**

Description	2022/23
	KShs
Pharmaceuticals	560,000
Non-Pharmaceuticals	295,520
Laboratory	300,000
Radiology	54,000
Theatre	30000
Accident and Emergency Service	20,000
Anesthesia Service	20,000
Nutrition services	70,000
Medical records	105,000
NHIF	4,394,180
Medical Services – Receivables from exchange transactions	1,743,710
<b>Total</b>	<b>7,592,410</b>

Notes to the Financial Statements continued

9. Medical/ Clinical Costs

Description	2022/23
	KShs
Laboratory chemicals and reagents	553,000
Food and Ration	274,300
Dressing and Non-Pharmaceuticals in-kind	33,000
Pharmaceutical supplies	381,000
Health information stationery	390,000
Sanitary and cleansing Materials	46,500
Purchase of Medical gases	30,000
In kind	14,691,741
<b>Total medical/ clinical costs</b>	<b>16,399,541</b>

10. Employee Costs

Description	2022/23
	KShs
Salaries, wages, and allowances	1,087,000
Salaries and wages in kind from the county government	57,279,324
<b>Total</b>	<b>58,366,324</b>

11. Board of Management Expenses

Description	2022/23
	KShs
Chairman's Honoraria	28,000
Sitting allowance	144,000
Travel and accommodation allowance	28,000
<b>Total</b>	<b>200,000</b>

12. Repairs And Maintenance

Description	2022/23
	KShs
Maintenance of civil works ,motor vehicle and ICT	957,520
<b>Total</b>	<b>957,520</b>

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**Notes to the Financial Statements continued**

**13. General Expenses**

Description	2022/23
	KShs
Fuel	50,000
General Office Supplies	305,000
Telephone and mobile phone services	33,600
Transfer to CHMT	60,420
Transfer to SC-MOH	321,680
Electricity	624,177
Bank Charges	89,878
Travel & Accommodation	300,000
<b>Total General Expenses</b>	<b>1,784,755</b>

**14. Depreciation and Amortization Expense**

Description	FY2022/2023
	Kshs
Property, plant and equipment	3,716,553
Intangible assets	0
Investment property carried at cost	0
<b>Total depreciation and amortization</b>	<b>3,716,553</b>

**15. Cash And Cash Equivalents**

Description	2022/23
	KShs
Current accounts	1,511,625.65
<b>Total</b>	<b>1,511,625.65</b>

**8(a). Detailed Analysis of Cash and Cash Equivalents**

Description		2022/23
Financial institution	Account number	KShs
a) <b>Current account</b>		
Kenya Commercial bank	1152782088	1,511,625.65
<b>Grand total</b>		<b>1,511,625.65</b>

Notes to the Financial Statements continued

16. Receivables From Exchange Transactions

Description	2022/23
	KShs
Medical services receivables	1,743,710
<b>Total</b>	<b>1,743,710</b>

17. Inventories

Description	2022/23
	KShs
Pharmaceutical supplies	285,000
Food supplies	92,255
Stationery	72,745
<b>Total</b>	<b>450,000</b>

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Notes to the Financial Statements continued

18. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Cost</b>								
At 1 <sup>st</sup> Jul 2022	10,821,710	40,000,000	4,000,000	500,000	300,000	7,712,425	-	62,512,425
At 30 <sup>th</sup> Jun 2023	10,821,710	38,400,000	3,000,000	437,500	210,000	6,748,372	-	58,795,872
								-
<b>Depreciation and impairment</b>								-
At 1 July 2022								-
Depreciation for the year	-	1,600,000	1,000,000	62,500	90,000	964,053		3,716,553
<b>At 30 June 2023</b>	-	<b>1,600,000</b>	<b>1,000,000</b>	<b>62,500</b>	<b>90,000</b>	<b>964,053</b>	-	<b>3,716,553</b>
Depreciation								-
<b>At 30 June 2023</b>	-	<b>1,600,000</b>	<b>1,000,000</b>	<b>62,500</b>	<b>90,000</b>	<b>964,053</b>	-	<b>3,716,553</b>
								-

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Net book values</b>								-
At 1 <sup>st</sup> Jul 2022	10,821,710	40,000,000	4,000,000	500,000	300,000	7,712,425	-	<b>62,512,425</b>
At 30 <sup>th</sup> Jun 2023	10,821,710	38,400,000	3,000,000	437,500	210,000	6,748,372	-	<b>58,795,872</b>

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**Notes to the Financial Statements continued**

**19. Trade And Other Payables**

Description	2022/23
	KShs
Trade payables	1,850,000
<b>Total trade and other payables</b>	<b>1,850,000</b>

**20. Cash Generated from Operations**

	2022/23
	KShs
<b>Cash generated from operations</b>	<b>1,511,625</b>
Working Capital adjustments	0
<b>Net cash flow from operating activities</b>	<b>1,511,625</b>

**21. Increase/Decrease in Accounts Receivable**

	2022/23
	KShs
Accounts Receivable as at 1 <sup>st</sup> July 2022	0
Accounts Receivable as at June 2023	1,743,710
<b>Net cash flow from operating activities</b>	<b>1,743,710</b>

**22. Increase/Decrease in Inventories**

	2022/23
	KShs
Inventory as at 1 <sup>st</sup> July 2022	0
Inventory as at 30th June 2023	450,000
<b>Increase/Decrease in Inventory</b>	<b>450,000</b>

**23. Increase/Decrease in Accounts Payable**

	2022/23
	KShs
Accounts Payable as at 1 <sup>st</sup> July 2022	0
Accounts Payable as at June 2023	1,850,000
<b>Increase/Decrease in Accounts Payable</b>	<b>1,850,000</b>

**Notes to the Financial Statements continued**

**24. Financial Risk Management**

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

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

**(i) Credit risk**

The hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The 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.

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2023 (current year)</b>				
Receivables from exchange transactions	1,743,710	1,743,710	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	1,511,625	1,511,625	0	0
<b>Total</b>	<b>3,255,335</b>	<b>3,255,335</b>	<b>0</b>	<b>0</b>

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the management of the hospital's short, medium and long-term funding and liquidity management

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requirements. The hospital manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>				
Trade payables	0	0	1,850,000	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 30 June 2023</b>				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1,850,000</b>	<b>0</b>

**(iii) Market risk**

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

The 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 hospital's exposure to market risks or the way it manages and measures the risk.

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**a) Foreign currency risk**

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
<b>At 30 June 2023</b>			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	<b>0</b>	<b>0</b>	<b>0</b>

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

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**Notes to the Financial Statements (Continued)**

Description	KShs	Other currencies	Total
	Kshs		Kshs
<b>At 30 June 2023</b>			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	<b>0</b>	<b>0</b>	<b>0</b>

**Foreign currency sensitivity analysis**

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>2022</b>			
Euro	10%	0	0
USD	10%	0	0
<b>2023</b>			
Euro	10%	0	0
USD	10%	0	0

**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 hospital's interest rate risk arises from bank deposits. This exposes the hospital to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the hospital's deposits.

**Management of interest rate risk**

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

**Notes to the Financial Statements (Continued)**

**Sensitivity analysis**

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

**iv) Capital Risk Management**

The objective of the hospital'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:

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**Notes to the Financial Statements (Continued)**

**25. Related Party Balances**

**Nature of related party relationships**

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

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

- i) The National Government;
- ii) The County Government;
- iii) Hospital Board members

**26. Contingent Liabilities**

Contingent liabilities	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Court case against the company	0	0
Bank guarantees in favour of subsidiary	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**27. Events after the Reporting Period**

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

**28. Ultimate and Holding Entity**

The hospital is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of health. Its ultimate parent is the County Government of Nyamira.

**29. Currency**

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

**20. Appendices**

**Appendix 1: Progress on Follow Up of Auditor Recommendations**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

  
.....  
**Dr. Samwel Ombati**  
Accounting Officer

**Manga Level 4 Hospital (County Government of Nyamira)**  
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**Appendix II: Projects Implemented by The Entity**

**Projects**

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

**Status of Projects completion**

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							