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REPORT

OF

THE AUDITOR-GENERAL

ON

OTHORO LEVEL 4 HOSPITAL

FOR THE YEAR ENDED

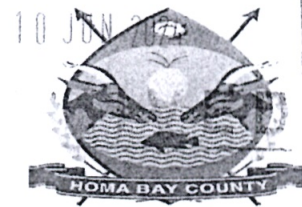
30 JUNE, 2023

COUNTY GOVERNMENT OF HOMA BAY

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



HOMA BAY COUNTY

**OTHORO LEVEL 4 HOSPITAL
(Homa Bay County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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

Othoro Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements For the Year ended 30th June 2023

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
PFMA	Public Financial Management Act
HAO	Health Administrative Officer
MED- SUP	Medical Superintendent
NO I/C	Nursing Officer In charge
UHC	Universal Healthcare
HMT	Health Management Team
HRIO	Health Records Information Officer
NHIF	National Hospital Insurance Fund

2. Key Entity Information and Management

(a) Background Information

Othoro Level 4 Hospital was established by the Kenya gazette Notice No. 13505 and derives its authority and accountability from Homa Bay County Finance Bill 2023. The entity is wholly owned by the County Government of Homa Bay and is domiciled in Kenya.

The entity's objective is to become a well-established institution offering high quality efficient integrated medical care services and training of competent health care workers.

The entity's principal activity is to offer high quality and integrated medical care services that are affordable and accessible and to provide conducive environment that enhance active participation in the provision of high-quality medical care services.

(b) Principal Activities

The principal activities of the entity are to:

- i. Provide affordable and accessible universal health coverage.
- ii. To modernize infrastructure, machinery and equipment
- iii. To attain financial sustainability
- iv. To strengthen human resource capability
- v. To develop facility health management information system

(c) Key Management

The Hospital's Day to day management is under the following key organs:

- i. Board of Management
- ii. Medical Officer of Health
- iii. Hospital Management Team

(d) Fiduciary Management

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

Ref	Designation	Name
1	Clinical Officer In charge	Mr. Samuel Omondi Juma
2	Administrator	Mr. Samson Odhiambo Wanga
3	Nursing Officer	Caroline Juma

(e) Fiduciary Oversight Arrangements

Increasingly, hospitals and health systems, along with the individuals serving on their committees and governing boards, are seeing the need for prudent oversight of their organizations. Due to a rising number of lawsuits, trustees need to ensure that their organizations are taking proactive steps to protect their organizations and themselves. Othoro Level 4 Hospital, being a government entity has formed various committees to ensure robust fiduciary oversight.

i. Quality Improvement Team

Quality Improvement Team (QIT) is a team taking lead to implement quality improvement activities. Group of multiskilled employee charged with responsibilities of improving processes or services. The team include top and middle management members to coordinate initial planning and implementation.

The members include;

Mr. Samuel Omondi Juma– Chairperson.

Samson Odhiambo Wanga - HAO – Secretary.

Duncan Ondeng'e- (Lab In charge).

Caroline Juma (Nurse In charge).

Maureen Owino (Pharm Tech in charge).

ii. Emergency Response Team

Hospital Emergency Response Teams (HERT) is comprised of multi disciplines and specialties that activate and respond during emergencies. The team is responsible for Security of the hospital facility and grounds. Registration, patient tracking, triage, treatment, decontamination, detection & monitoring and movement of patients into the facility or on to other definitive medical care.

The members are;

Mr. Samuel Omondi Juma– Chairperson

Samson Odhiambo Wanga - HAO – Secretary

Maureen Owino (Pharmacist)

Paul Ng'eno - (Lab technologist)

iii. Medicines and Therapeutic Committee

The Medicines and Therapeutics Committee (MTC) is a multidisciplinary committee responsible for overseeing policies and procedures related to all aspects of medicines and other HPT use. Medicines and therapeutics committees (MTCs) is formed in the hospital to improve prescribing and dispensing processes of medicines. Its importance appears in different aspects such as drug selection process, cost-effectiveness, and control of drug losses. Altogether, MTCs have shown an important role in promoting, controlling and educating activities of rational drug use. This is mostly manifested in demonstrating how the presence of MTCs in hospitals would improve patient's health outcomes and decrease overall drug expenditures.

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The members;

Mr. Samuel Omondi Juma (Facility In charge) – Chairperson

Maureen Owino (Pharmacist) - Secretary

Roseline Nyaanga (Nurse)

Michael Ogallo – Clinical Officer

Linah Kemunto (Deputy Hospital Administrator)

iv. Billing and Waiver Committee

The billing and waiver committee is responsible for tracking patient bills to ensure that correct bills are paid and those unable to pay are waived in line with the government policy.

The members are;

Samson Odhiambo Wanga - HAO – Chairperson

Caroline Juma - Secretary

Antonina Otieno (Accounts Clerk)

V. Maternal and Perinatal Death and Surveillance Response (MPDSR)

MPDSR is a committee that ensures that deaths of mothers or babies during pregnancy, childbirth and post-natal period are notified, information is collected, causes reviewed and responses identified to prevent unnecessary deaths in future.

The members are;

Caroline Juma (Nurse) – Chairperson

Mr. Samuel Omondi Juma (Clinical Officer) – Secretary

Deborah Lang'o (Nurse)

Duncan Ondeng'e (Lab Manager)

Maureen Owino (Pharmacist)

vi. Hospital Management Committee

Oversight roles and resource mobilization to the facility

vii. Hospital Management Team

Runs the facility through ensuring that all procedures are adhered to through monthly HMT meetings

viii. Hospital finance Committee

Goes through departmental budget proposals and ensure the allocations are done putting into consideration priorities.

(f) Entity Headquarters

P.O. Box 469-40300

Homa Bay, KENYA

Entity Contacts

Telephone: (254) 2038617565/55

E-mail: governorsofficehomabaycounty.go.ke

Website: www.Homa Bay.go.ke

(g) Entity Contacts

P.O. Box 42,40222

Oyugis, Kenya

Telephone: (+254) 71196440

E-mail:
othorolevel4hospital@gmail.com

(a) Entity Bankers

Cooperative Bank

Homabay Branch

(b) Independent Auditors

Auditor General

Office of Auditor General

Anniversary Towers, Institute Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(c) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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II. The Board of Management

Ref	Directors	Details
1.	Buxtone Odiwuor	Chairman.
2.	Samwel Juma	Secretary
4.	Mr. Haggai Ogaga	Member
5.	Mr. George Ogonyo	Member
6.	Mrs. Herina Kawaka	Member
7.	Mrs. Aloice Diogo	Member

III. Management Team

Ref	Management	Details
1.	Mr. Samwel Juma	Facility In charge and Clinical Officer In charge
2.	Mr. Samson Wanga	Health Administrative Officer
3.	Ms. Maureen Owino	Pharmacist
4.	Ms. Cynthia Aoko	HRIO
5.	Ms. Monica Awuor	Nutritionist
6.	Mr. Duncan Ondeng'e	Lab Technologist

5. Chairman's Statement

It's my pleasure to present the Annual Report and financial statements of Othoro Level 4 Hospital. Once again, the Hospital has demonstrated its commitment to centralized specialized health care services to all Kenyans citizens in the region that spans to counties in south Nyanza and western Kenya.

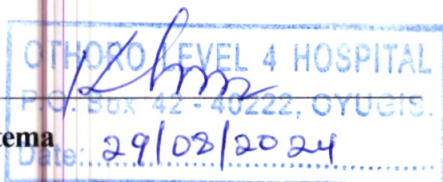
Management and operations of the hospital is guided by the existing legal policies and institutional frameworks that govern the health sector to ensure efficient and effective delivery of services in the hospital. The hospitals operations are also influenced by various global, regional and national strategies aimed at promoting, restoring and maintaining the health care service delivery.

In terms of corporate governance, the board of management carried out its mandate diligently and with focus to steer Othoro Hospital to achieve its mission. The Board of management consists of the right balance of skills, experience and backgrounds to support and challenge the management team.

On behalf of the Board of management, I would like to extend my appreciation to all our stakeholders and development partners for the continued support that has enabled Othoro Hospital realize its mandate. I would also like to thank Othoro Hospital management and staff for their commitment and dedication that ensured the highest quality service delivery and improved performance this financial year.

Finally, I would like to express my sincere gratitude to my fellow Board Members, for their dedication and hard work during the year. I would also like to take this opportunity to applaud the Medical Superintendent, for creating synergy and leading the management team and all staff to greater achievement.

Signed: _____



Maurice Otema

Chairman to the Board

Othoro Level 4 Hospital (Homabay County Government)
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6. Report of the Medical Superintendent/Facility in charge

The performance review for financial year 2022/2023 provides us another opportunity to reflect on the gains made and opportunities for improvement towards continuous provision of quality, timely and cost effective and patient-centered specialized healthcare services. Othoro Level 4 Hospital maintained steady growth throughout the year attributed to increased activity levels with a majority of the areas exceeding the targeted performance.

The Hospital has a robust financial management system that is based on the existing government financial management rules and regulations, Public Finance Management (PFM) act 2012, International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standard (IFRS).

During the period under review just to mention little achievement, the team at Othoro Level 4 Hospital managed to increase deliveries by giving the new mother incentives such as baby packs.

Entity Main Objective.

The hospital is entrusted with the responsibility of ensuring the provision of quality healthcare services to its residents.

Sub Objectives

- Eliminating communicable conditions,
- Halting and reversing the rising burden of non-communicable conditions,
- Reducing the burden of violence and injuries.
- Providing essential health services,
- Minimizing exposure to health risk factors.
- Strengthening collaboration with private and other sectors.

These Objectives are well highlighted in Kenya's epidemiological profile

Summary of Achievements:

This report gives most significant achievements in Othoro Hospital during the fiscal year with milestones such as:

- a) **Availability of Health Commodities for healthcare services:** This has been achieved by ensuring constant Procurement of drugs, Non-pharmaceuticals, Lab Reagents, Sanitary items balanced patient Ration to the patients seeking healthcare services in the hospital.
- b) **Promoted healthy behaviours:** The department has launched several initiatives to promote healthy behaviours in the community, including a campaign to discouraging gender based Violence, VCT Services, effects of alcohol addiction, regular exercise and healthy eating, and providing friendly environment for youth friendly and MAPS service uptake areas within the hospital to encourage them to come to the facility for uptake of the services, to achieve this goal, the hospital has constantly engaged CHVs for mobilization and community dialog and encouraging community to enroll on NHIF.

- c) **Improved maternal and child health:** This is achieved by encouraging mothers through CHVs to take advantage of LINDA MAMA, increase attendance of MCH services and increase of immunization rate. And also renovating Maternity Ward and Pediatrics Ward.
- d) **Strengthened partnerships:** The Hospital has fostered strong partnerships with partners, and local organization to improve health outcomes and reduce health disparities especially in the area of malaria, HIV and TB control and treatment.

Challenges and Mitigation Measures:

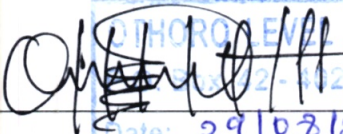

- a) Low uptake of health services due to poor health seeking behaviour in community;
- b) Low uptake of NHIF/insurance in the catchment
- c) Investment towards curative and rehabilitative services at the expense of preventive and promotive services.
- d) Lack of infrastructure and personnel like nurses, medical doctors and lab technologists, which affect services deliveries.

Mitigation Measures:

To address these challenges, the following measures are put in place

- a) Community outreaches and sensitization on the availability of telemedicine services for children in the facility, this is to be done by CHVs and the facility to facilitate
- b) Encouraged use of home-based care services.
- c) Strengthening of community-based care services especially in schools, churches, or community centers; adoption of integrated care models for patients who have chronic conditions or require rehabilitation; ensuring ongoing patient education and empowerment.
- d) Employing technical staff on contract/locum basis to address acute shortage of nurses and lab technologies.

I take this opportunity to acknowledge the support of The Homabay County Government, and Development partners. Many thanks to the chairman and Members of the Board for their strategic guidance and support. I wish to also register my appreciation to all stakeholders.

Signed: 


Mr. Mosima Geoffrey
Medical Superintendent

7. Statement of Performance against Predetermined Objectives

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

Key Objectives

The overall objective is improved clinical outcomes, satisfied clients, learning, growth and development. This will be achieved only if the Hospital is able to: -

- 1) Enhance access to quality services commensurate with the level and expectations of the coverage population by; -
 - (a) Improving drug and laboratory reagent supplies
 - (b) Staff motivation to enhance positive attitude and a conducive work place
 - (c) Improving essential and emergency medical services, medical laboratory and imaging diagnostic services including specialist pathology services,
 - (d) Expanding and ensuring equitable access by all clients by anticipating and planning for the marginalized ('ignored'), indigent and vulnerable
 - Advocating for registration with the NHIF
 - Providing fee exemptions and improving the waiver system
 - Providing outreach services
 - Providing cohort friendly service packages e.g. for the Adolescents, Youth, Elderly, Men, Commercial Sex Workers etc.
 - Delivery package for new born mothers
- 2) Improve human resource capacity (adequacy), effectiveness (knowledge and skills), motivation and satisfaction.
 - a) Human Resource is indispensable in the provision of Healthcare Services
 - b) There's need to investment in identification for recruitment and training to match staff establishment requirements and skills' mix with current and projected coverage population needs.
- 3) Improve financial resources collection, mobilization, risk management and accountability
 - a) The hospital must exploit its full potential with regards to insured clients in the coverage population including but not limited to the NHIF comprehensive Scheme, the NHIF EduAfya, the NHIF Universal Coverage.
 - b) The hospital must assess and mitigate the risk of revenue loss through willful negligence, laxity, corrupt practices and theft.
 - c) The Hospital must strengthen existing systems that enhance access without inherent revenue reduction e.g. subsidized services and commodities, waiver system.
 - d) The hospital must make every effort to aggressively market its strengths and exploit its opportunities.

- 4) Improve consumables (pharmaceuticals, non-pharmaceuticals, supplies and other materials) availability and security.
 - a) The critical and indispensable role health commodities play in the outcomes of health processes MUST always be recognized and prioritized for investment and resource allocation.
 - b) While it is accurate to consider healthcare a service industry, it is unreasonable to expect any positive results or outcomes without the input of requisite appropriate, affordable and quality health commodities.
 - c) It will be necessary to forecast the required quantities of all essential health commodities relevant to the needs of the Hospital's coverage population.
 - d) There's need to provide adequate and appropriate space for the storage and security of the commodities.
 - e) There's need to supplement the supplies procured by the County Government by establishing own source revenue.
 - f) The authority of hospital managers should be increased and hospital tender committees created and empowered to enable us to purchase goods more efficiently and responsively.
 - g) Spending bands should be widened, and modern systems and managerial skills developed to increase the hospital procurement capacity.
 - h) If the hospital has the capacity and is in a position to comply with the requisite financial regulations we will in time, be able to decide whether to procure on our own, through government and other agencies.
- 5) Improve infrastructural development and equipment and medical devices availability, maintenance and security
 - a) This relates to the built environment, in-patient beds, furniture, equipment and machines, transport and technology (ICT) required for effective delivery of health services.
 - b) It is a fundamental pillar in the improvement of client experience and outcomes
 - c) Infrastructure must be designed, chosen, placed and maintained to ensure, Client safety, Efficiency and effectiveness, Sustainability and Equity and Accessibility.
 - d) There's need to ensure all critical and capital-intensive equipment are under service contracts and that preventive and / or routine maintenance of the same is the rule and is carried out as indicated in a plan.
 - e) As much as possible, mutually beneficial comprehensive placement agreements will be encouraged to broaden the range of service availability, to reduce client inconvenience and to facilitate better service delivery and outcomes
- 6) Improve on health and financial information systems automation, integration, transparency and application. Improve care through technology.
 - a) A health information system (HIS) is a system that integrates data collection, processing, reporting, and use of the information necessary for improving health service effectiveness and efficiency through better management at all levels of health services.

Othoro Level 4 Hospital (Homa Bay County Government)

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- b) It is a way of collecting, storing, managing and transmitting (reporting) data including, Clients' electronic medical records (EMR), Hospital's operational management (HR, Finance, Procurement).
 - c) When functioning well, HIS the facilitates planning, monitoring, and the overall quality assurance and improvement.
- 7) Foster a visionary governance and competent committed leadership
- a) Good governance and effective leadership are considered core components of a resilient health system.
 - b) Good governance ensures evidence-based policy making resulting in Efficient and effective service provision and management systems, Transparency with checks and balances and Accountability.
 - c) There's need to promote and lobby for leadership with demonstrable willingness to take ownership and stewardship of the hospital and to continually do what is best for the same.
- 8) Foster and expand partnerships, collaboration and social responsibility, The overriding goal is to achieve better outcomes through either one or a combination of raising awareness about unmet needs, Provision of resources (Finances, HR, Consumables, Equipment, Plant and Machinery, Provision of joint platforms for coordination, monitoring and evaluation, Tapping into each other's unique but complementary expertise, Research and learning.
- 9) Foster learning, change and improvement culture in the Hospital through improved stakeholder participation and feedback management, research and innovation.
- a) Strengthen and expand partnership and collaboration with training institutions including but not limited to the Kenya Medical Training College, Medical training universities and colleges, AMREF International University and the Kenya School of Government.
 - b) Strengthen and expand partnership and collaboration with research institutions including the Kenya Medical Research Institute and other institutions of higher learning.
 - c) Institutionalize and strengthen continuous professional development.
 - d) Institutionalize and invest in operational research initiatives
 - e) Facilitate continuous client feedback management.

Two strategic themes were identified each with a strategic result whose successful execution will enable the Hospital achieve its mission and vision. These are:

	Strategic Theme	Strategic Result
1	Managerial Operational and Excellence	Seamless, effective and timely service delivery and efficient Utilization of resources
2	Professional in clinical services	Improved quality healthcare services

8. Corporate Governance Statement

The Othoro Level 4 Board of management have responsibilities, Functions, structures and ethical conduct. In addition to this, their major priority is ensuring excellent service delivery to patients.

Role of the Board

The responsibility of driving good corporate governance and stewardship of the Hospital is vested in the board. The board through its committees provide strategic direction while the Medical Superintendent assisted by the Executive Management Committee is accountable to the Board for implementing the strategy.

Othoro Level 4 Hospital would typically outline the hospital's commitment to effective governance practices, which ensure transparency, accountability, and ethical conduct in its operations. Here's a sample outline of what such a statement might include:

1. **Introduction and Purpose:** Begin with an overview of the importance of corporate governance in healthcare institutions like Othoro Level 4 Hospital. Explain that the statement aims to articulate the hospital's governance framework and principles.
2. **Governance Structure:** Describe the hospital's governance structure, including its governing body (such as a board of directors or trustees), committees, and management hierarchy. Outline the roles, responsibilities, and composition of these entities.
3. **Code of Conduct and Ethics:** Discuss the hospital's code of conduct and ethics, which guides the behavior of all stakeholders, including board members, executives, employees, and volunteers. Emphasize the hospital's commitment to integrity, professionalism, and respect for patients' rights and confidentiality.
4. **Transparency and Accountability:** Highlight the hospital's commitment to transparency and accountability in its decision-making processes, financial management, and reporting. Describe mechanisms for internal controls, risk management, and compliance with regulatory requirements.
5. **Stakeholder Engagement:** Explain how the hospital engages with its stakeholders, including patients, families, staff, communities, government agencies, and regulatory bodies. Discuss channels for feedback, communication, and collaboration to ensure that stakeholders' interests are considered in decision-making.

6. **Quality and Patient Safety:** Address the hospital's focus on quality of care and patient safety, including processes for monitoring and improving clinical outcomes, infection control, medication safety, and patient satisfaction. Emphasize the importance of continuous improvement and learning from adverse events.
7. **Risk Management:** Outline the hospital's approach to identifying, assessing, and mitigating risks, including strategic, operational, financial, and legal risks. Discuss processes for risk management planning, monitoring, and reporting to the board and stakeholders.
8. **Compliance and Legal Framework:** Describe how the hospital ensures compliance with relevant laws, regulations, accreditation standards, and industry best practices. Discuss mechanisms for monitoring changes in the legal and regulatory environment and adapting policies and procedures accordingly.
9. **Sustainability and Corporate Social Responsibility:** Discuss the hospital's commitment to sustainability, environmental stewardship, and corporate social responsibility. Highlight initiatives related to community health, diversity and inclusion, workforce development, and philanthropy.
10. **Conclusion:** Summarize the key principles and commitments outlined in the Corporate Governance Statement, reaffirming the hospital's dedication to upholding the highest standards of governance, ethics, and accountability in fulfilling its mission of providing quality healthcare services to the community.

This statement serves as a public declaration of Othoro Level 4 Hospital's commitment to good governance practices, helping to build trust and confidence among stakeholders, including patients, staff, donors, regulators, and the wider community.

9. Management Discussion and Analysis

Welcome to the Management Discussion and Analysis (MD&A) for Othoro Level 4 Hospital. This report provides an in-depth analysis of the hospital's financial performance, operational highlights, and future outlook. We aim to provide transparency and insight into our operations, addressing key developments and challenges faced during the reporting period.

□ Key Highlights

Service Expansion: During the period, we successfully expanded our services to meet the growing healthcare needs of the community. This expansion included the addition of

- specialized clinics, diagnostic services, and outreach programs, resulting in increased patient access to quality care.

- **Financial Resilience:** Despite economic uncertainties and operational challenges, Othoro Hospital maintained financial resilience, achieving sustainable revenue growth and effective cost management. This resilience enabled us to continue our mission of providing affordable healthcare services to all segments of society.

Quality Improvement Initiatives: We intensified our focus on quality improvement initiatives, implementing evidence-based practices, enhancing patient safety protocols, and investing in staff training and development. These efforts contributed to improved clinical outcomes and patient satisfaction ratings.

Community Engagement: Othoro Hospital remained actively engaged with the community through health education campaigns, preventive care initiatives, and collaborations with local organizations and government agencies. These partnerships strengthened our ties with the community and facilitated greater health awareness and empowerment.

□

Financial Performance

□

Revenue Analysis: Total revenue for the period increased by [10] % compared to the previous year, driven by higher patient volumes, improved reimbursement rates, and expanded service offerings. Government reimbursements accounted for [100] % of total revenue, reflecting our continued partnership with public health programs.

□

Expense Management: Operating expenses were effectively managed through stringent cost control measures and operational efficiencies. Despite inflationary pressures and rising healthcare costs, we maintained a disciplined approach to expense management, resulting in improved operating margins.

□

Capital Investments: Significant investments were made in capital assets, including medical equipment upgrades, facility renovations, and technology enhancements. These investments were aligned with our strategic priorities of enhancing patient care quality, operational efficiency, and long-term sustainability.

□ **Operational Review**

□ **Patient Care Metrics:** Patient volumes across all departments saw a [50] % increase, reflecting the growing demand for healthcare services in the region. Our focus on reducing wait times, improving appointment scheduling, and streamlining clinical workflows contributed to enhanced patient access and satisfaction.

□ **Clinical Excellence:** Clinical outcomes continued to surpass industry benchmarks, with notable improvements in key performance indicators such as infection rates, readmission rates, and mortality rates. Our multidisciplinary care teams demonstrated exceptional professionalism, compassion, and expertise in delivering patient-centered care.

□ **Staffing and Talent Development:** We remained committed to attracting and retaining top talent in healthcare, investing in staff training, professional development, and wellness programs. Our workforce engagement initiatives fostered a culture of teamwork, innovation, and continuous learning, driving employee satisfaction and performance.

Outlook and Future Plans

Looking ahead, Othoro Hospital is well-positioned to capitalize on emerging opportunities and address evolving healthcare challenges. Our strategic priorities include:

Continued Growth: We will focus on expanding our service offerings, geographic reach, and market presence to serve a larger patient population and diversify revenue streams.

Technology Integration: Harnessing the power of technology, we will invest in telemedicine platforms, electronic health records systems, and data analytics tools to improve care coordination, patient engagement, and clinical decision-making.

Partnership Development: We will explore strategic partnerships with healthcare providers, insurers, and technology vendors to drive innovation, improve care coordination, and enhance the overall healthcare experience for our patients.

Community Empowerment: Our commitment to community engagement and empowerment will remain a cornerstone of our mission, as we continue to advocate for health equity, social justice, and preventive care initiatives.

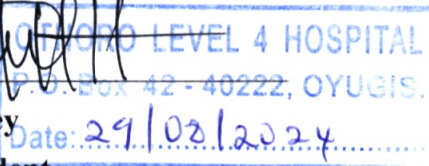
Conclusion

In conclusion, Othoro Level 4 Hospital remains steadfast in its commitment to delivering high-quality, compassionate healthcare services to the community. We are confident in our ability to navigate challenges, seize opportunities, and achieve sustainable growth, guided by our unwavering dedication to excellence, integrity, and service excellence.

We thank our patients, staff, partners, and stakeholders for their continued support and trust in Othoro Hospital's mission and vision

Signed:


Mr. Mosima Geoffrey
Medical Superintendent



10. Environmental and Sustainability Reporting

The Hospital exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile

As a Sub county hospital, we recognize that we must conduct our operations in a manner that considers the environmental and social impact to ensure that success and longevity of the business. We are committed to being transparent, candid, and open about our operations.

At Othoro Hospital we have a pragmatic approach to sustainability; we focus on identifying and putting into practice initiatives and programs that deliver real world and lasting benefits to all our stakeholders.

Engaging with our stakeholders informs our decision making, strengthened our relationship and helps us deliver our commitments and success as an entity. In order to achieve these goals, we recognize that we must work in partnership with other interested stakeholders in who share our commitment and have a stake in our entity.

We actively engage with Government, regulators, customers, suppliers, investors and individual citizens to create an environment that is supportive of solutions.

ii) Environmental performance

In our offices and clinical areas, we continue encouraging employees to help reduce energy consumption by switching of their computers and lights at the end of the day.

As part of adopting energy efficient technology, we have a microwave incinerator that helps with waste management.

In packaging of medicine, we use environmentally friendly bags. In medical waste we are using bags which are clearly marked for clinical waste, bottles, leftover food, staffs are also provided with personal protective equipment

iii) Employee welfare

The Hospital staff are employed and remunerated by the Homabay County Government.

With recruitment policy of at least a third is not of more than one gender.

Every department prepares Human Resource Plans to support achievement of goals and objectives in their strategic plans. The plans are based on comprehensive job analysis and are reviewed every year to address emerging issues and staffing needs.

On the basis of these Human resource plans, departments develop annual recruitment plans which are forwarded to the County Public Service Board at the beginning of each financial year to enable it plan to fill vacancies.

Departments through the County Public Service Board will advertise all vacant posts in a manner that reaches the widest pool of potential applicants.

Recruitment is undertaken on the basis of fair competition and merit, representation of Kenyans diverse communities, adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities.

Efforts made in improving skills and managing careers

Training and capacity building in the County's Public Service is key towards improving skills and managing career progression. Training Needs Assessment is a performance audit that generates and provides information to assess the inadequacy of knowledge and skills which inhibits an organization from attaining its objectives.

Training in the County's Public Service is based on Training Needs Assessment which are conducted in each department. Departments are required to prepare training projections based on Training Needs Assessment to guide in the nomination of officers for training.

Selection of trainees for all training programmes are based on identified needs and normally emphasizes on training for performance improvement.

Training programmes comprise both short- and long-term courses in specific professions that are intended to impart required knowledge, skills and attitudes to enhance staff performance.

The County continually develops its employee's professional knowledge and skills and encourage them to join relevant professional bodies. The County establishes mechanisms for supporting employees where the career guidelines require them to be members of a professional body.

Policy guiding hiring process

For new staff who have joined the County, Induction Training is expected to help them familiarize with the work environment and requirements. Departments are expected to conduct induction training within three (3) months for newly recruited officers and those joining the departments on transfers, promotions and re-designation.

Appraisal and reward system

Staff Performance Appraisal System is predicated upon the principles of work planning, setting of agreed performance targets, feedback and reporting. Appraisal systems are also linked to other human resource systems and processes including staff development, career progression, placement, rewards and sanctions.

Prior to the beginning of the performance appraisal period, departments prepare work plans based on their strategic plans. The departments work plans includes the departmental priorities objectives from which individual performance targets will be derived.

Employee's individual work plans will be derived from the departmental work plans and officers job description.

The appraisals period covers one (1) year starting 1st J u l y to 30th J u n e of the following year.

The performance appraisal reflects the summation of the year's performance including quarterly and mid-year reviews.

Reward System

Exemplary performance is rewarded through incentives, promotions, recognition of major improvements, training always a top priority. For that reason, we are focused on ensuring our suppliers comply with best practices and adhere to our contract agreement for all services and goods offered.

v) Corporate Social Responsibility Statement

As a way of creating awareness on health seeking behaviour and encourage early diagnosis and treatment, Othoro Hospital conducts clinical outreaches in the community within its catchment area.

11. Report of the Board of Management

The Board of Management 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.

a) Principal activities

The principal activities of the Hospital are:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the Hospital.
- ii. Support capacity building in the management of the Hospital
- iii. To give decision making autonomy to the Hospital management committees, to plan and manage the resources within their control.
- iv. To improve the quality of health care services in the Hospital

b) Results


The results of the Hospital for the year ended June 30, 2023, are set out on page 1-37

c) Auditors

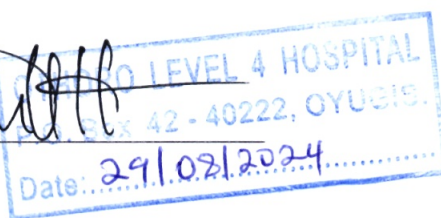
The Auditor General is responsible for the statutory audit of the Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Signed:


Mr. Mosima Geoffrey

Medical Superintendent



12. Statement of Board of Management's Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 19 of the Homabay County Finance Bill 2021 require the Board of Othoro Hospital to prepare financial statements in respect of the Hospital, which give a true and fair view of the state of affairs of the Hospital as at 30 June 2023 and the operating results of the Hospital for the year then ended. The Directors are also required to ensure that the Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Hospital. The Board are also responsible for safeguarding the assets of the Hospital.

The Board are 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 30 June, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 accept 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 Homabay County Finance Bill, 2012. The Directors 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 30 June, 2023, and of the Hospital's financial position as at that date.

The Board further confirms 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 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 *Othoro Level 4 Hospital* financial statements were approved by the Board on 05/09/2023 and signed on its behalf by:

Chairperson
Mr. Maurice Otema

Board of Management

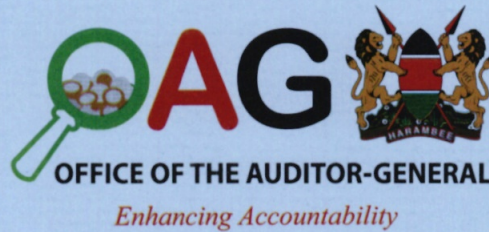
Secretary BOM
Mr. Mosima Geoffrey

Medical Superintendent

Date: 29/08/2024

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 OTHORO LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF HOMA BAY

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal control, 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 Othoro Level 4 Hospital – County Government of Homa Bay set out on pages 1 to 30, which comprise of the

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Othoro Level 4 Hospital 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 Health Act, 2017, the County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies of Financial Statements

Review of the financial statements provided revealed the following observations;

- i. The statement of financial performance indicates total expenditure of Kshs.8,020,303 while the statement of comparison of budget and actual amounts reflects Kshs.6,037,053 resulting to unexplained and unreconciled variance of Kshs.93,000 (excluding depreciation and amortization).
- ii. The financial statements reflect Kshs.623,000 as employees' costs which differs with the ledger balance of Kshs.474,000 by unexplained variance of Kshs.149,000.
- iii. The statement of financial performance reflects total expenditure of Kshs.8,020,303 which differs with the amount indicated in the general ledger of Kshs.4,331,603 resulting to unexplained and unreconciled variance of Kshs.3,688,700.
- iv. The statement of financial performance reflects Kshs.826,540 as repairs and maintenance costs which differs with the notes financial statements figure of Kshs.709,200, resulting to an unexplained variance of Kshs.117,340.

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

2. Inaccuracies in Other Income

The statement of financial performance in Note 3 indicates that Kshs.7,403,000 had been disclosed as other income which essentially represents capitations from the National Hospital Insurance Fund (NHIF). However, revenue records reflect that revenue earned from exchange transactions - other Income from NHIF amounted to Kshs.8,900,000, resulting to unreconciled balance of Kshs.1,497,000.

In the circumstances, the accuracy and completeness of the other income amount of Kshs.7,403,000 could not be confirmed.

3. Variances in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.797,000 as disclosed in Note 11 to the financial statements. The amount relates to dues from the National Health Insurance Fund (NHIF) whose records indicate a balance of Kshs.1,497,000 resulting to an unexplained variance of Kshs.700,000.

In the circumstances, the accuracy, completeness and recoverability of the trade receivables balance from exchange transactions of Kshs.797,000 could not be confirmed.

4. Doubtful Ownership and Non-Disclosures of the Property, Plant and Equipment

The statement of financial position as disclosed in Note 13 to the financial statements reflects a balance of Kshs.13,346,750 as property, plant and equipment. However, the Hospital did not have title deed on which it is built. Additionally, physical verification revealed that there was an office under construction but not disclosed as work in progress.

In the circumstances, ownership and accuracy of property, plant and equipment balance of Kshs.13,346,750 could not be confirmed.

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

Emphasis of Matter

Doubtful Sustainability of Services

The statement of financial performance reflects other income balance of Kshs.7,403,000 and as disclosed in Note 3 to the financial statements which are the capitation claims, receivables and Linda Mama Program from the National Hospital Insurance Fund (NHIF). NHIF reimburse the facility for in patient at a rate of Kshs.2,500 per day, normal delivery Kshs.5,000, Cesarean section Kshs.10,000, Linda Mama rebates Kshs.2,500 per visit and outpatient of Kshs.300 per capitated patient per quarter.

The NHIF rebates to the hospital of Kshs.7,403,000 constitutes 96% of the total revenues generated which implies that the Hospital relies heavily on NHIF rebates for its continued operations and this casts doubt on the sustainability of services.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

Review of 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 ninety six (96) staff requirements or 95% of the authorized establishment as indicated in the table below:

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical officers	16	0	16	100
Anaesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Paediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	5	70	94
Total	101	5	96	95

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	10	140	93
Resuscitaire (2 in Labor & 1 in Theatre)	2	0	2	100
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	1	4	80
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit With At Least 5 Dial Sis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	0	2	100

Also, the Hospital does not have a utility vehicle and an ambulance and Incinerator nor power backup therefore, posing a risk in maternal care in its areas of jurisdiction.

Further, the Hospital laboratory has only four (4) equipment's, glucometer, centrifuge, microscope and HB Machine, resulting to an under equipped laboratory.

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.

2. Lack of Quarterly Revenue Reports

The statement of financial performance reflects Kshs.304,587 in relation to the rendering of services - medical income as disclosed in Note 2 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County Treasury with a copy to the Auditor-General as per the requirement of Regulations, 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

3. Lack of Contract Agreement with Eye Clinic Service Provider

Physical verification during the month May, 2024 revealed that there is an eye clinic within the facility. However, the eye clinic is operated by EveRafiki Opticians, no contract was provided to confirm the terms of reference of the partnership and no revenue generated from the clinic was reported in the year under review. Therefore, confirmation of the eye clinic services could not be done.

In the circumstances, revenue generated by the clinic could not be confirmed.

4. Failure to Maintain Fixed Asset Register

The statement of financial position reflects balances of Kshs.13,346,750 in respect to property, plant and equipment as disclosed in Note 13 to the financial statements. However, it was noted that the Hospital does not maintain fixed asset register to control its assets. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the fund has ever evaluated its assets to ascertain the correct market values.

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

5. Irregular Engagement of Casual Workers

The statement of financial performance reflects casuals and contractual staff amount of Kshs.623,000 as disclosed in Note 5 to the financial statements. It was noted that Management engaged casual workers for more than three months. This was contrary to the County Public Service Human Resource Manual, May, 2013 Section B.16(1) which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act, 2007.

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

6. Non-Conformity with the Prescribed Reporting Format

Review of the financial Statements submitted for audit on 9 February, 2024 revealed the following issues;

- i. The Board of Management and the Management team did not include members' passport size photos, age, work experience and key profession/academic qualifications whether the director is independent or an executive and which committee board the director chairs and does not indicate whether the secretary is a member of ICS as required by Mwongozo code.

- ii. The chairman's statement is omitted though indicated as in page ix according to the table of contents.
- iii. The financial statements have not been signed by any officer who has ICPAK registration number as required and signed by the health administrator instead of the accountant.
- iv. Management omitted page ii and iii
- v. The statement of performance against predetermined objectives at page ix has not outlined the activities towards the achievement of strategic pillars and tied achievements to performance contracts as per the requirement of the revised reporting template.
- vi. Corporate Governance statement xii should be two to three pages and includes the number of board meetings held and attendance to those meetings by the members, succession plan, existence of board charter, induction, and training, process of appointment and removal of board member, conflict of interest, board remuneration, ethics, and conduct as well as governance audit.
- vii. The financial statements and the accompanying notes did not have comparative balances for the previous period in accordance with the approved financial reporting template issued by the Public Sector Accounting Standards Board. Additionally, the table of contents had error! Bookmark implying pagination had errors.

In the circumstances, the format used in the presentation and disclosure of the financial statements was not in line with the approved financial reporting template.

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

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

Conclusion

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

Basis for Conclusion

1. Lack of Risk Management Policy

During the year under review, the Hospital did not have a Risk or Disaster Management Policy in place contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that a County Government entity develops risk management strategies, which include fraud prevention mechanism; and that the County government entity develops a system of risk management and internal controls that build robust business operations.

In circumstances, the effectiveness of risk management measures could not be confirmed.

2. Lack of Audit Committee and Internal Audit Unit

Review of documents and processes revealed the Hospital did not have audit committee or an internal audit function. This was contrary to Section 155(1) of the Public Finance Management Act, 2012.

In the circumstances, the Hospital did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee

3. Inventory Management Stock-Outs of Essential Medical Supplies

The statement of financial position reflects inventory balance of Kshs.130,490 as disclosed in Note 12 to the financial statements. Physical verification of the pharmaceuticals/drug store and discussion with the Pharmaceutical Technologist held on 10 May, 2024 revealed shortages of essential pharmaceuticals/drugs that are frequently prescribed to patients. Some drugs were out of stock, while others were insufficient and below the designated facility levels.

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

4. Lack of Staff Housing Tenancy Agreements

Physical inspection of the facility revealed that the Hospital has two (2) staff houses which are fully occupied. However, no tenancy agreements were provided for audit review and no revenue generated from the staff houses was reported. Therefore, occupants and expected revenue from the staff houses could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions 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 going concern and using the going concern 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

21 June, 2024

Othoro Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for the Year ended 30th June 2023

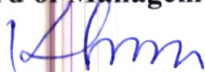
14. Statement of financial Performance for the year ended 30 June 2023

	Note	2022-2023 Ksh
Revenue from Exchange Transactions		
Rendering of Services	2	304,587
Other Income	3	7,403,000
Total revenue		7,707,587
Expenses		
Medical/Clinical Costs	4	3,761,610
Employee Costs	5	623,000
Board of Management Expenses	6	150,000
Depreciation and Amortization	7	1,890,250
Repairs & Maintenance	8	826,540
General Expenses	9	768,903
Total expenses		8,020,303
Deficit for the period		(312,716)

The notes set out on pages 21 to 30 form an integral part of the Annual Financial Statements.


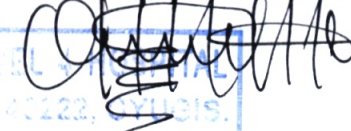
The Hospital's financial statements were approved by the Board on 05/09/2023 and signed on its behalf by:

Chairman
Board of Management



Accountant /Adm In-Charge **Medical Superintendent**

ICPAK No:



 OTHORO LEVEL 4 HOSPITAL
 P.O. Box 43-40222, KYUSIS.
 Date: 29/08/2024

Othoro Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for the Year ended 30th June 2023

15. Statement of financial position as at 30TH June 2023

	Note	2022-2023	Ksh
Assets			
Current assets			
Cash and cash equivalents	10		315,447
Receivables from Exchange Transactions	11		797,000
Inventories	12		130,490
Non-Current Assets			
Property, Plant and Equipment	13		13,346,750
TOTAL ASSETS			14,589,687
Liabilities			
Trade Payables	14		1,362,840
			1,362,840
Net Assets			
Capital Fund			13,226,847
Total net assets and liabilities			14,589,687

(The notes set out on pages 21 to 30 form an integral part of the Annual Financial Statements.)


The Hospital's financial statements were approved by the Board on 05/09/2023 and signed on its behalf by:

Chairman
Board of Management

[Handwritten Signature]

Accountant/adm In-Charge
ICPAK No:

Medical Superintendent

[Handwritten Signature]


VI. Statement of Changes in Net Assets for the year ended 30 June, 2023

	Capital Funds	Accumulated Surplus	Total
		Ksh	Ksh
Balance as at 1 July 2022			
Surplus/(deficit) for the period		(312,716)	(312,716)
Capital/Development Grants	13,539,563		13,539,563
Balance as at 30 June 2023			13,226,847


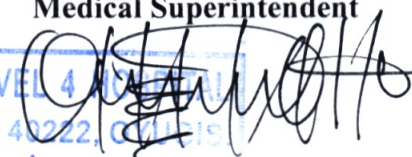
(The notes set out on pages 21 to 30 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 05/09/2023 and signed on its behalf by:

Chairman
Board of Management



Accountant /Adm In-Charge Medical Superintendent
ICPAK No:

 
 OTHORO LEVEL 4 HOSPITAL
 P.O. Box 42 - 40222, HOMABAY
 Date: 29/08/2024

Othoro Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for the Year ended 30th June 2023

VII. Statement of Cashflow for the Year ended 30 June, 2023

	Note	2022-2023 Ksh
Cash flows from operating activities		
Revenue from exchange transactions		
Rendering of Services	2	304,587
Other Income	3a	7,403,000
Total Receipts		7,707,587
Payments		
Medical/Clinical Costs	4a	2,803,196
Employee Costs	5a	474,000
Board of Management Expenses	8	150,000
Repairs & Maintenance	6	943,880
General Expenses	7	768,903
Total Payments		5,139,979
Net Cash flows from working capital	14	122,634
Net increase/(decrease) in cash and cash equivalents		122,634
Cash and cash equivalents at 1 July 2022		192,813
Cash and cash equivalents at 30 JUNE 2023		315,447

Financial Statements set out on pages 21 to 30 were signed on behalf of the Board of Directors by:

Chairman
Board of Management

[Handwritten Signature]

Accountant In-Charge
ICPAK No: *097*

Medical Superintendent

[Handwritten Signature]

OTHORO LEVEL 4 HOSPITAL
P.O. Box 42 - 40222, OTUO
Date: *29/08/2024*

Othoro Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for the Year ended 30th June 2023

VIII. Statement of Comparison of Budget and Actual amounts for the Year ended 30th June, 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	a	b	c = (a+b)	d	E = (c-d)	F = d/c %
Revenue	Ksh	Ksh	Ksh	Ksh	Ksh	
Rendering of Services	480,000	-	480,000	304,587	175,413	63%
Other Income	12,240,000		12,240,000	7,403,000	4,837,000	60%
Total income	12,720,000	-	12,720,000	7,707,587	5,012,413	61%
					-	
Expenses						
Medical/Clinical costs	6,660,000	-	6,660,000	3,761,610	2,898,390	56%
Employee costs	700,000		700,000	623,000	77,000	89%
Board allowance	60,000		60,000	57,000	3,000	46%
Repairs and maintenance	1,800,000		1,800,000	826,540	973,460	22%
General expenses	3,500,000		3,500,000	768,903	2,731,097	95%
Total expenditure	12,720,000	-	12,720,000	6,037,053	6,682,947	47%
Surplus for the period						

The notes set out on pages 21 to 30 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 05/09/2023 and signed on its behalf by:

Chairman
Board of Management

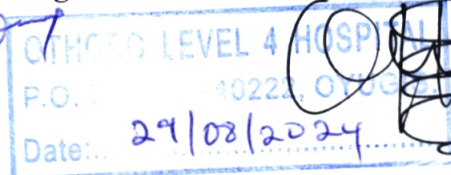
[Handwritten signature]

Accountant In-Charge
ICPAK No:

[Handwritten signature]

Medical Superintendent

[Handwritten signature]



19. Notes to the Financial Statements

1. General Information

Othoro Level 4 Hospital entity is established by and derives its authority and accountability from County Government Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Provide affordable and accessible universal health coverage.

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 judgment in the

process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in. Note The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

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

3. Adoption of New and Revised Standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

*Othoro Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for the Year ended 30th June 2023*

Applicable: 1st January 2023:

Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<ul style="list-style-type: none">a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs, which were inadvertently omitted when IPSAS 41 was issued.b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.c) <u>Amendments to IPSAS 30, to update the guidance for accounting for</u>
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Othoro Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for the Year ended 30th June 2023

Standard	Effective date and impact:
	<p>Financial guarantee contracts, which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS, which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> ● <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> ● <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits, as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> ● IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognize, 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>Applicable 1st January 2025</p> <p>The Standard requires Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</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>

I. Early adoption of standards

The entity did not early – adopt any new or amended standards in the year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

b) Budget information

Board approved the original budget for FY 2023/24. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded reallocation of funds on the year under review budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset.

is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

It's important to **note** that Plant, Property and Equipment recognized in this financial report include estimated values of the ICT equipment depreciated at 30%, medical equipment acquired prior to the year at 12.5% and furniture and fittings at 10%. The values of other equipment including land could not be ascertained, therefore not included in the financial statements. This is because most of the equipment were donated/ transferred by National Government.

The management need time and other resources to carry out valuation of the other equipment, land and buildings.

The List of equipment attached; **annex vii**

f) Leases

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

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

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

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. The intangible asset relates to upgrade of the Software (Hospital Information Management System) which is a work in progress and has been partially paid. No amortization has been provided because it is still work in progress.

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity 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 Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method

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

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

k) Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

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

Foreign currency transactions

- o) 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.

p) 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.

q) Related parties

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

i) Service concession arrangements

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and 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 impress and advances to authorized public.

s) Comparative figures

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

This is the first time the management is preparing financial statements therefore there are no comparative figures for the previous year.

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Such changes are reflected in the assumptions when they occur. (IPSAS 1.140). Note that the values of old buildings included in these financial statements are estimated and correct values will be adjusted accordingly upon property valuation is done.

Useful lives and residual values

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

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

Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note.

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. No provision has been made in these financial statements.

Notes to the Financial Statements (Continued)

2. Rendering of Services-Medical Service Income

Description	2022/23
Pharmaceuticals	128,187
Laboratory	116,300
Accident and Emergency Service	30,100
Medical Records	30,000
Total revenue from the rendering of services	304,587

3. Other Income

Description	2022/23
	Ksh
Insurance recoveries	7,403,000
Receivables	797,000
Total other income	8,200,000

3a. Other Income

	2022/23
	Ksh
Amount as per Statement of Financial Performance	8,200,000
Less Accrued Receivables	797,000
Amount as per statement of Cash flow	7,403,000

4. Medical/ Clinical Costs

Description	2022/23
	Ksh
Laboratory chemicals and reagents	638,702
Food and Ration	300,000
Dressing and non-pharmaceuticals	1,370,375
Sanitary and cleansing Materials	155,000
Purchase of Medical gases	14,500
Medical Drugs	593,423
Total medical/ clinical costs	3,761,610

Othoro Level 4 Hospital (Homa Bay County Government)
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4a

	2022/2023
	Ksh
Amount as per Statement of Financial Performance	3,761,610
Less Accrued	958,414
Amount as per statement of Cash flow	2,803,196

5. Employee Costs

Description	2022/23
	Ksh
Salaries, wages, and allowances	474,000
Accrued Wages	149,000
Employee costs	623,000

5a

	2022/2023
	Ksh
Amount as per Statement of Financial Performance	623,000
Less Accrued	149,000
Amount as per statement of Cash flow	474,000

6. Board of Management Expenses

Description	2022/23
	Ksh
Sitting allowance	150,000
Total	150,000

7. Depreciation and Amortization Expense

Description	2022/23
	Ksh
Property, plant and equipment	1,083,350
Total depreciation and amortization	1,083,350

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8. Repairs and Maintenance

Description	2022/23 Ksh
Maintenance of Property- Buildings and other civil works	709,200
Total repairs and maintenance	709,200

9. General Expenses

Description	2022/23 Ksh
Bank charges	18,903
Electricity expenses	60,000
General Office Supplies	14,000
Domestic Travel Costs	251,000
Telephone and mobile phone services	51,000
Refined Fuels Expense	140,000
Printing and Stationery Expense	234,000
Total General Expenses	768,903

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10. Cash and Cash Equivalents

Description	2022/23
	Ksh
Current accounts	315,447
Total cash and cash equivalents	315,447

11. Receivables from Exchange Transactions

Description	2022/23
	Ksh
Medical services receivables-NHIF	797,000
Total receivables	797,000

12. Inventories

Description	2022/24
	Ksh
Pharmaceutical supplies	28,890
Laboratory supplies	25,900
Dressing and non-Pharms	9,700
Sanitary and Cleaning	7,500
Food supplies	44,500
General supplies	14,000
Total	130,490

Othoro Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for the Year ended 30th June 2023

13. Property, Plant and Equipment

Description	Land	Buildings and Civil Work	Vehicles	ICT	Plant Equipment & Medical Equipment	Furniture, Fittings & Office Equipment	Total	
	Ksh	Ksh		Ksh	Ksh	Ksh	Ksh	
Cost			0.00	20%	12.50%	12.50%		
At 30th June 2022	3,500,000	3,250,000	0.00	225,000	7,586,000	676,000	15,237,000	
At 1st July 2022	3,500,000	3,250,000	0.00	225,000	7,586,000	676,000	15,237,000	
Additions				-				
Disposal								
Transfers/adjustments								
At 30 th June 2023	3,500,000	3,250,000	-	225,000	7,586,000	676,000	15,237,000	
Depreciation and impairment		812,500	-	45,000	948,250	84,500	1,890,250	
Net book Value	-	-						
At 30th June 2023	-	3,500,000	2,437,500	-	180,000	6,637,750	591,500	13,346,750

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14. Trade and Other Payables

Description	2022/23 Ksh
Trade payables-medical cost	842,500
Trade payables- general expense	371,340
Employee dues	149,000
Total	1,362,840

15. Cash Generated from Operations

Cash flows (used in) from operating activities	2,567,608
Working Capital Changes	
Decrease in inventory	130,490
Increase in receivables	(1,370,696)
Increase in payables	1,362,840
Net Cash from Working Capital	122,634
Net Cash from Operating Activities	2,690,242
Net increase/(decrease) in cash and cash equivalents	122,634

Financial Risk Management

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

The Entity's Financial Risk Management Objectives and Policies are Detailed Below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counter party 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 Hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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Description	Total amount	Fully performing
	Kshs	Kshs
At 30 June 2023		
Receivables from exchange transactions	797,000	797,000
Bank balances		
Total	797,000	797,000

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

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

Liquidity risk management

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

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

	Over 5 months Kshs	Total
		Kshs
As at 30 June 2023		
Trade payables	1,362,840	1,362,840
Total	1,362,840	1,362,840

Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected because 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 endeavored to bank with institutions that offer favourable interest rate.

1. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Hospital include those parties who have 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.

County Government of Homabay

The county Government of Homabay is the principal shareholder of the Hospital, holding 100% of the Hospital's net assets interest.

Other related parties include:

- i) The Parent Ministry Health
- ii) Other SCs and SAGAs
- iii) Key management
- iv) Board of directors

2. Events after the Reporting Period

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

3. Ultimate and Holding Entity

The Hospital is a County Corporation under the Ministry of Health Services of Homabay County Government. Its ultimate parent is the Homabay County Government.

4. Currency

The financial statements are presented in Kenya Shillings (Ksh)

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