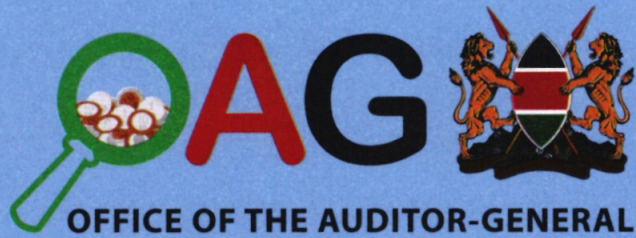


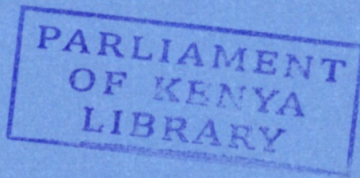
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

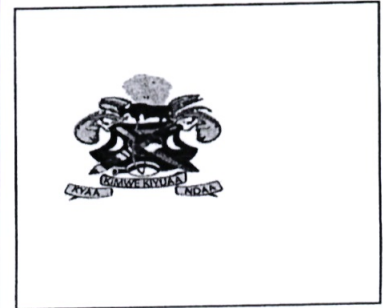
ON

ATHI RIVER LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF MACHAKOS

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
15 MAY 2024
RECEIVED



Athi River Level 4 Hospital (Machakos County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

DATE	18/09/24
TABLED BY	Majesty leader
COMMITTEE	
PREPARED BY	W. J. J. J.
PAPERS LAID	

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Athi River Level 4 Hospital is a level 4 hospital established under gazette notice number 7267 of 30th July 2019 and is domiciled in Machakos County under the Health Department. The hospital is governed by management appointed by the department.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide quality health care services to the people of Mavoko Sub-County and its environs by preventing, controlling and eradicating diseases. Further the facility is tasked to rehabilitate and promote healthy living by ensuring quick accessibility of efficient, equitable, affordable and sustainable health services. The vision of the entity is to provide quality, efficient and affordable health care services that will improve future health benefits to all people.

(c) Key Management

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

- County department of health
- Accounting Officer/ Medical Superintendent
- 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:

No.	Designation	Name
1.	Medical Superintendent	Jemmimah Ndila
2.	Head of finance	Brian Munguti
3.	Head of supply chain	James Munyasya
4.	Health Administrative officer	Emma Njagi
5.	Health Administrative officer	Theresiah Ngui

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- County Treasury
- County Assembly

Key Entity Information and Management (continued)

- (f) **Entity Headquarters**
P.O. Box 145-00204
ATHIRIVER
Machakos, KENYA
- (g) **Entity Contacts**
Telephone:-
E-mail: athiriverlevel4@gmail.com
- (h) **Entity Bankers**
Cooperative Bank
- (i) **Independent Auditors**

Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya
- (j) **Principal Legal Adviser**

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
- (k) **County Attorney**
County Legal Office
P.O. Box.1996-
90100-Machakos , Kenya

3. The Board of Management

No board of management in place at the facility

4. Key Management Team

Details		
1.	Jemmimah Ndila	Medical Superintendent Diploma in Clinical Medicine
2.	Mrs ,Emma Njagi	Health Administrative Officer Bachelor of arts
3.	Theresiah Ngui	Health Administrative Officer Degree in Business management and administration
4.	Benta Otieno	Nurse Manager Degree in Nursing
5.	Brian Munguti	Accountant MBA (strategic management B/COM CPA Part 3
6.	James Munyasya	Procurement officer Diploma in procurement
7.	Mary Mutua	Clinical officers in charge Diploma in clinical medicine
8.	Jennifer Kisyangi	Pharmacy in charge Degree in pharmacy
9.	Mohammed Kioko	Laboratory In charge Degree in laboratory technology
10.	Ann Ndinda Syokau	Physiotherapy In charge BSC
11.	Fredrick Mutaki	Public Health In Charge-Hospital Sanitation Diploma in public health
12.	Ruth Njoroge	Records In charge Diploma in Records management

5. Chairman's Statement

No chairman's statement since the board of management is yet to be formed.

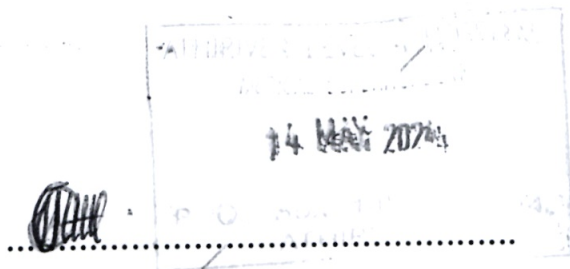
6. Report of The Medical Superintendent

Its my pleasure to present Athi river level 4 hospital financial statements for the year ended 30th June 2023. which are in line with the public finance management act(PFM)2012. The act requires final financial statements to be prepared, publicized and submitted to the County Assembly. Office of the auditor general, National Treasury, the controller of budget and commission for revenue allocation within a period of 3 months after the end of each financial year.

Attached are the hospitals statements which have been prepared in line with the requirements of the PFM act 2012 which present a true fair and fair value of the state of the affairs of the County Government of Machakos for the year ended 30th June 2023.

The statements highlights both qualitative and quantitative user information about the performance of the hospital based on revenue received and collected from the county and NHIF of facility improvement funds versus numerous expenses incurred inline to promotion of quality health care services.

Additionally, the financial statements have also enumerated the various challenges that the management and staff faced during the year. Essentially the challenges continue to be highlighted to top management and solved on need basis



Name
Medical Superintendent

7. Statement of Performance Against Predetermined Objectives

Athi River Level 4 Hospital has three (3) strategic objectives within the current Strategic Plan for the FY2022- 23. These objectives have been identified through a participatory process that reviewed the health priorities of the Governor’s Manifesto, the National Government’s “Big Four” and more specifically on Universal Health Care, NIUPLAN, SDGs and the MTP III. The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and health sector aspirations.

The strategic objectives are as follows;

- Free maternal health services (Linda Mama)
- Affordable health care services
- Strategic partnership with Donors for adequate funding

Athi River Level 4 Hospital develops its annual work plans based on the above three objectives. Assessment of the management’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2022/2023 period for its own strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Maternal health care services	Provide free maternal health care services	Number of maternal deliveries	-Surgeries, pre-natal and post natal services -Normal deliveries	Managed to achieve 99% free maternal health care services
Affordable and timely health care services	Ensure timely provision of health care services to all patients	Number of in-patients and out-patients served	-Treatment of in-patient and out-patient	Managed to improve timely health care provision from 65% to 75%

Athi River Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Strategic partnership	Conduct sensitization and research in order to attract donors	Number of donors offering financial support	Collaboration with donors	Managed to collaborate with DANIDA and red cross

8. Corporate Governance Statement

During the financial year the sub county faced a cholera outbreak but through the combined efforts of the County Government and other key stakeholders the situation was contained and cholera is a thing of the past in the sub county.

I wish to convey my sincere thanks to the Governor, the Chief Executive Officer, health, the chief officers' health, both for medical services and public health, the national Government, my staff, the local mwananchi and all the stakeholders who during that moment put their best foot forward through public initiatives and mobilization, provision of emergency medical supplies as well as financial resources which ensured that the outbreak is contained.

Currently the facility has a bed capacity of 8 beds in the maternity ward and during the financial year the facility accommodated 592 inpatients(maternity) and 34,840 outpatients. Accidents/emergency attendance was 198 patients and special clinic attendance was 11,785. The average stay for inpatient during the period was 24 hours with a bed occupancy rate of 80%. The mortality rate was 0.02%

Some of the key projects and investment decisions that the facility is planning/implementing are;

- Overhauling the plumbing system of the hospital
- Renovating and painting the whole hospital
- Planting trees around the hospital and open spaces
- Renovation and maintenance of the current buildings
- Construction of incinerator
- Automation of the hospital services
- Construction of a 200 bed capacity facility
- construction of offices/store/more wards
- drilling a borehole to address the water shortages experienced from time to time
- installation of solar powered system to reduce the huge power bills
- Construction of a mogue

The major risks facing Athi River level 4 Hospital and which the top management should address immediately for smooth operations and quality health care services include;



- Operational costs emanating from faulty and out-dated medical equipment.
- Market risks resulting from competition from private sector offering quality health care services
- Delayed Cash flow from County Treasury

The main challenges faced during the period include

- ❖ delay in disbursement of funds from the County Treasury
- ❖ large patients work load vs available workforce.

Athi River Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

- ❖ The facility lacks enough space (land) for expansion as well as lack of buildings to accommodate the growing need for more wards, consultation rooms, offices and store to facilitate the storage of supplies both medical and non-medical

Medical Superintendent

9. Management Discussion and Analysis

Athi river level 4 hospital is a level 4 facility located at the heart of Athi river town next to Mavoko sub County Offices. The main operational performance of Athi River Level 4 Hospital involves provision of health care services. However, while offering the services, the hospital collects some revenue from patients either in Mpesa-paybill or NHIF. The funds are transferred to County Revenue Fund (CRF) as per Public Financial Management (PFM) regulations 2015. Currently, the operations of the facility are managed by transfers from the County Government. The revenues are used to improve the facility and provide both curative and preventive care services to Athi River residents.

During the current financial year 2022-2023 the County Government introduced the payment for the medical services offered in the facility whereby patients pay ksh 100 for patient card through a pay bill number 161660 which is a County government pay bill.

At the moment the County is in the process of passing a law through the county assembly whereby the monies collected ,85% go back to the facility to facilitate its daily operations while 15% go to the County Revenue fund account in the Central bank.

The main operational performance of Athi River Level 4 Hospital involves provision of health care services. However, while offering the services, the hospital collects some revenue from patients either in Mpesa-paybill or NHIF. The funds are transferred to County Revenue Fund (CRF) as per Public Financial Management (PFM) regulations 2015. Currently, the operations of the facility are managed by transfers from the County Government. The revenues are used to improve the facility and provide both curative and preventive care services to Athi River residents. The main challenges faced include;

- delay in disbursement of funds from the County Treasury and large patients work load vs available workforce.
- The facility lacks enough space (land) for expansion as well as lack of buildings to accommodate the growing need for more wards, consultation rooms, offices and store to facilitate the storage o supplies both medical and non-medical

Currently the facility has a bed capacity of 8 beds in the maternity ward and during the financial year the facility accommodated 592 inpatients(maternity) and 34,840 outpatients. Accidents/emergency attendance was 198 patients and special clinic attendance was 11,785. The average stay for inpatient during the period was 24 hours with a bed occupancy rate of 80%. The mortality rate was 0.02%

Athi River Level 4 Hospital is governed by all medical regulatory frameworks, the constitution of Kenya 2010 and other statutory policies put in place either by the national or county government. To that extent, non –major non-compliance that may lead to contingent liabilities has been reported. The hospital has no pending court cases unless those of patients such as rape cases and which the facility must support upon request from law-enforcement agencies.

Key projects and investment decisions the entity is planning/implementing. The hospital is planning to implement the following projects

- a. Overhauling the plumbing system of the hospital
- b. Renovating and painting the whole hospital

- c. Planting trees around the hospital and open spaces
 - d. Renovation and maintenance of the current buildings
 - e. Construction of incinerator
 - f. Automation of the hospital services
 - g. Construction of a 200 bed capacity facility
- construction of offices/store/more wards

The major risks facing Athi River level 4 Hospital and which the top management should address immediately for smooth operations and quality health care services include;

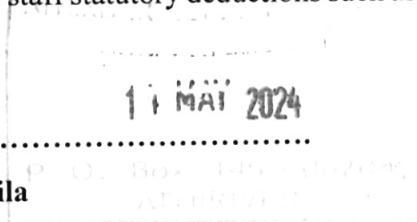
- Operational costs emanating from faulty and out-dated medical equipment.
- Market risks resulting from competition from private sector offering quality health care services
- Delayed Cashflow from County Treasury
- Over stretched work force in some sections within the facility.
- Construction of offices and more consultation rooms to accommodate the increasing demand for mwananchi seeking medical services

Currently, the entity's is financially probity and as no serious governance issues which should be addressed. All staff statutory deductions such as PAYE, NSSF and NHIF are remitted by the County Government.



Jemmimah Ndila

Medical Superintendent



10. Environmental And Sustainability Reporting

Athi River Level 4 Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability;

i) Sustainability strategy and profile

The top management through the Medical superintendent or the accounting officer has collaborated with Machakos Level 5 hospital and the top management to ensure quality medical services are offered to our patients and as per the international standards set by World Health Organization (WHO).

ii) Environmental performance

The hospital is in the process of developing world class environmental policy that will promote E-cycling of wastes to avoid health hazards that can negatively affect our clients and staff. However, financial challenges have negatively impacted on such ideas.

iii) Employee welfare

The hiring process of the medical practitioners and other staff is conducted by County Public Service Board in collaboration with mother department of Health and Emergency services. However, the posting and allocation of roles is done based on several elements among them, gender parity. Lastly, the welfare of the staff is highly valued based on the policy safety and compliance of the Occupational Safety and Health Act of 2007, (OSHA.)

iv) Corporate Social Responsibility / Community Engagements

Athi River Level 4 Hospital intends to conduct numerous CSR activities during the year on free- cancer and tuberculosis screening and treatments

11. Report of The Board of Management

There was no board of management during the financial year 2022-2023

12. Statement of Board of Management's Responsibilities

There was no Board of Management During the year under review

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Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ATHI RIVER LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF MACHAKOS

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Athi River Level 4 Hospital - County Government of Machakos set out on pages 1 to 53, 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

Report of the Auditor-General on Athi River Level 4 Hospital for the year ended 30 June, 2023 - County Government of Machakos

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 Athi River Level 4 Hospital - County Government of Machakos as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012, the Health Act, 2017 and the Machakos County Health Services Act, 2021.

Basis for Qualified Opinion

1. Unconfirmed Inventories Balance

The statements of financial position reflect inventories balance of Kshs.669,599 as disclosed in Note 30 to the financial statements. However, there was no evidence of the annual stock take having been conducted to confirm the quantities, value and status of closing inventory balances.

In the circumstances, the accuracy, completeness and valuation of the inventories balance of Kshs.669,599 could not be confirmed.

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

The statement of financial performance reflects employee costs of Kshs.484,500 for casuals and contractual staff as disclosed in Note 16 to the financial statements. The Hospital also received services from medical staff employed and paid for by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.484,500 could not be confirmed.

3. Non-Disclosure of Property, Plant and Equipment

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

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Athi River Level 4 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical

responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Prepare Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs.370,800 in relation to the rendering of services - medical income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County Treasury with a copy to the Auditor General. This was contrary to Regulation 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.

2. Lack of Statute Guiding Existence and Operations of the Hospital

Review of laws relating to County Government entities revealed that there was no Act of Parliament or County Assembly regulating or guiding the establishment and operations of health facilities in the Counties. Health services including County Health Facilities and Pharmacies are County Governments' functions under Article 2(a) of Part 2 of the Constitution of Kenya, 2010.

In the circumstances, it was not possible to establish whether the existence and operation of the Athi River Level 4 Hospital was legal.

3. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due

to staff deficits by eight one (81) staff requirement or eighty percent (80%) of the authorized establishment.

Staff Requirement	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	2	14	88
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	0	100
Pediatricians	2	1	1	50
Registered Community Health Nurses	75	17	58	77
Radiologists	2	0	2	100
Totals	101	20	81	80

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

Service	Level 4 Standard	Actuals in the Hospital	Variance	Percentage %
Bed Capacity	150	0	150	100
Resuscitaire in Theatre	1	0	1	100
Resuscitaire in Labour Ward	1	0	1	100
Functional ICU Beds	6	0	6	100
Functional HDU Beds	6	0	6	100
Incubators in New Born Unit	5	0	5	100
Baby Cots	5	0	5	100
HDU Cots in New Born Unit	6	0	6	100
Operating Theatres (General & Maternity)	2	1	1	50
Renal Unit with Dialysis Machines	5	0	5	100
Land Size	5 acres	0.5	4.5	90

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Expired Medical Supplies

The statement of financial position reflects inventories balance of Kshs.669,599 as disclosed in Note 30 to the financial statements. Review of the store records on pharmaceuticals and non-pharmaceuticals revealed that drugs with an estimated value of Kshs.122,984 had expired.

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

2. Lack of ICT and Risk Management Policies

Review of records reveal that the Management had not formulated and documented an ICT Policy and a Risk Management Policy for the Hospital. Therefore, there were no measures in place to mitigate against emerging risks in the Hospital's day to day operations.

In the circumstances, the ability of the Hospital to identify threats or risks and various strategies of minimizing their impact may be compromised.

3. Lack of Hospital Management Board

The statement of financial performance reflects Nil amount for board expenses as disclosed in Note 17 to the financial statements. However, the board of management that is supposed to direct the Hospital in achieving its strategic objectives was not constituted.

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

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

4. Failure to Maintain Fixed Asset Register

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

In the circumstances, the existence of an effective mechanism to safeguard assets could not be confirmed.

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

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 and the Board of Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Hospital's 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 June, 2024

Athi River Level 4 Hospital (Machakos 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

Revenue from non-exchange transactions			
Transfers from the County Government	6	3,079,820	1,000,000
In- kind contributions from the County Government	7	13,924,014	5,365,951
Grants from donors and development partners	8		
Transfers from other Government entities(NHIF)	9	3,255,982	2,753,730
Public contributions and donations	10		
		20,259,816	9,119,681
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	370,800	1,014,549
Revenue from rent of facilities	12		
Finance /Interest Income	13		
Other Income	14	0	4,728
		370,800	1,019,277
Total revenue		20,629,816	10,138,958
Expenses			
Medical/Clinical costs	15	16,316,800	6,216,221
Employee costs	16	484,500	840,000
Board of Management Expenses	17		
Depreciation and amortization expense	18		
Repairs and maintenance	19	1,602,392	400,000
Grants and subsidies	20		
General expenses	21	1,958,730	662,284
Finance costs	22		
Total expenses		20,362,422	8,118,505
Net Surplus / (Deficit) for the year		267,394	2,020,453

Athi River Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

The Hospital's financial statements were approved by the management on 14/05/2024 and signed on its behalf by:


.....
Brian Munguti
Head of Finance


.....
Jemmimah Ndila
Medical Superintendent

ICPAK No: /65332

Athi River Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Assets			
Current assets			
Cash and cash equivalents	27	1,618,248	1,350,055
Receivables from exchange transactions	28		
Receivables from non-exchange transactions	29		
Inventories	30	669,599	670,398
Total Current Assets		2,287,847	2,020,453
Non-current assets			
Property, plant, and equipment	31		
Intangible assets	32		
Investment property	33		
Total Non-current Assets			0
Total assets		2,287,847	2,020,453
Liabilities			
Current liabilities			
Trade and other payables	34		
Refundable deposits from customers/Patients	35		
Provisions	36		
Finance lease obligation	37		
Current portion of deferred income	38		
Current portion of borrowings	39		
Social Benefits	41		
Total Current Liabilities		0	0
Non-current liabilities			
Provisions	36		
Non-Current Finance lease obligation	37		
Non-Current portion of deferred income	38		
Non - Current portion of borrowings	39		
Service concession liability	40		
Social Benefits	41		

Athi River Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Total Non-current liabilities			
Total Liabilities		0	0
Net assets			
Revaluation reserve			
Accumulated surplus/Deficit		2,287,847	2,020,453
Capital Fund			
Total Net Assets and Liabilities		2,287,847	2,020,453

The Hospital's financial statements were approved by the management on 14/05/2024 and signed on its behalf by:

.....
Brian Munguti
Head of Finance
ICPAK No: 165542

Jemmimah Ndila
Medical Superintendent

ATHIRIVER
 11 MAY 2024

Athi River Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

As at July 1, 2022	0	0	0	0
Revaluation gain				
Surplus/(deficit) for the year		2,020,453		2,020,453
Capital/Development grants				
As at June 30, 2022	0	2,020,453	0	2,020,453
At July 1, 2023	0	2,020,453	0	2,020,453
Revaluation gain				
Surplus/(deficit) for the year	0	267,394	0	267,394
Capital/Development grants				
At June 30, 2023	0	2,287,847	0	2,287,847

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

Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	3,079,820	1,000,000
Grants from donors and development partners			
Transfers from other Government entities	9	3,255,983	2,753,730
Public contributions and donations			
Rendering of services- Medical Service Income	11	370,800	1,014,549
Revenue from rent of facilities			
Finance / interest income			4,728
Miscellaneous receipts	14		
Total Receipts		6,706,603	4,773,007
Payments			
Medical/Clinical costs	15	2,392,786	850,270
Employee costs	16	484,500	840,000
Board of Management Expenses			
Repairs and maintenance	19	1,602,392	400,000
Grants and subsidies			
General expenses		1,958,730	662,284
Finance costs			
Refunds paid out			
Total Payments	21	6,438,409	2,752,554
Net cash flows from operating activities		268,194	2,020,454
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets			
Proceeds from the sale of property, plant, and equipment			
Increase (Decrease) in Inventories			(670,398)
Net cash flows used in investing activities			(670,398)

Athi River Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Capital grants received			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		268,194	1,350,055
Cash and cash equivalents as at 1 July	27	1,350,055	0
Cash and cash equivalents as at 30 June	27	1,618,249	1,350,055

Athi River Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	3,079,820	0	3,079,820	3,079,820	0	100%
In- kind contributions from the County Government	13,924,014	0	13,924,014	13,924,014	0	100%
Transfers from other Government entities	3,255,982	0	3,255,982	3,255,982	0	100%
Public contributions and donations						%
Rendering of services- Medical Service Income	370,800	0	370,800	370,800	0	100%
Total income	20,629,816	0	20,629,816	20,629,816	0	100%
Expenses						
Medical/Clinical costs	16,316,800	0	16,316,800	16,316,800	0	100%
Employee costs	484,500	0	484,500	484,500	0	100%
Repairs and maintenance	1,602,392	0	1,602,392	1,602,392	0	100%
General expenses	1,958,730	0	1,958,730	1,958,730	0	100%
Total Expenses	20,362,422	0	20,362,422	20,362,422	0	100%
Surplus for the period				267,394		
Capital expenditure						

19. Notes to the Financial Statements

1. General Information

Athi River level 4 Hospital is established by and derives its authority and accountability from gazette notice number 786 of 4th February 2020 Act. The entity is wholly owned by the County Government of Machakos and is domiciled in Machakos County in Kenya. The entity's principal activity is provision of medical services to Mwananchi

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

	<p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>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"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

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

<p>IPSAS 43</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires:-</p> <ul style="list-style-type: none"> i. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the* entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2022-2023 was approved by Board on 30th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations of on the FY 2022-2023 budget following the Board's approval. The facility's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

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

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

Notes to Financial Statements Continued

6. Transfers from the County Government

Unconditional grants		
Operational grant	3,079,820	1,000,000
Level 5 grants		
Unconditional development grants		
Other grants		
	3,079,820	1,000,000
Conditional grants		
User fee forgone		
Transforming health services for Universal care project (THUCP)		
DANIDA		
Wards Development grant		
Paediatric block grant		
Administration block grant		
Laboratory grant		
Total government grants and subsidies	3,079,820	1,000,000

6 b Transfers from The County Government

Machakos County Government					
Total					

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Salaries and wages		
Medical supplies-Drawings Rights (KEMSA)	13,924,014	5,365,951
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)		
Utility bills		
Total grants in kind	13,924,014	5,365,951

8. Grants From Donors and Development Partners

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

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

Donor e.g., DANIDA					
JICA					
World Bank					
Total					

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Transfer from National Government (Ministry of Health)		
Transfer from National Hospital		
Transfer from NHIF Institute	3,255,982.50	2,753,730
Total Transfers	3,255,982.50	2,753,730

10. Public Contributions and Donations

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

10 (a) Reconciliations of amortised grants

Balance unspent at beginning of year		
Current year receipts		
Amortised and transferred to revenue		
Conditions to be met – remain liabilities		

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Pharmaceuticals	370,800	1,014,549
Non-Pharmaceuticals		
Laboratory		
Radiology		
Orthopedic and Trauma Technology		
Theatre		
Accident and Emergency Service		
Anesthesia Service		
Ear Nose and Throat service		
Nutrition service		
Cancer centre service		
Dental services		
Reproductive health		
Paediatrics services		
Farewell home services		
Other medical services income (<i>specify</i>)		
Total revenue from the rendering of services	370,800	1,014,549

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Residential property		
Commercial property		
Total Revenue from rent of facilities		

(Provide brief explanation for this revenue)

13. Finance /Interest Income

Cash investments and fixed deposits		
Interest income from short- term/ current deposits		
Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
Total finance income		

(Provide brief explanation for this revenue)

14. Miscellaneous Income

Insurance recoveries		
Income from sale of tender		
Services concession income		
Sale of goods (water, publications, containers etc)		
Write backs (Deposits, payments in advance etc)		
Bad debts recovered		
<i>Others (Balance b/f)</i>		
Total Miscellaneous income	0	0

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Dental costs/ materials		
Laboratory chemicals and reagents	65,000	
Public health activities		
Food and Ration	835,590	319,770
Uniform, clothing, and linen		
Dressing and Non-Pharmaceuticals	1,117,682	202,880
Pharmaceutical supplies	40,130	125,000
Health information stationery	110,800	
Reproductive health materials		
Sanitary and cleansing Materials	133,584	202,620
Purchase of Medical gases		
X-Ray/Radiology supplies	90,000	
Other medical related clinical costs (<i>specify</i>)	13,924,014	5,365,951
Total medical/ clinical costs	16,316,800	6,216,221

16. Employee Costs

Salaries, wages, and allowances	484,500	840,000
Contributions to pension schemes		
Service gratuity		
Performance and other bonuses		
Staff medical expenses and Insurance cover		
Group personal accident insurance and WIBA		
Social contribution		
Other employee costs (<i>specify</i>)		
Employee costs	484,500	840,000

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Chairman's Honoraria		
Sitting allowance		
Mileage		
Insurance expenses		
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
Total		

18. Depreciation and Amortization Expense

Property, plant and equipment		
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization		

19. Repairs And Maintenance

Property- Buildings	1,437,307	250,000
Medical equipment	14,440	50,000
Office equipment	2,500	
Furniture and fittings		50,000
Computers and accessories	800	
Motor vehicle expenses	97,495	50,000
Maintenance of civil works	49,850	
Total repairs and maintenance	1,602,392	400,000

Notes to the Financial Statements (Continued)

36. Provisions

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

37. Finance Lease Obligation

	Kshs	Kshs
Current Lease obligation		
Long term lease obligation		
Total		

38. Deferred Income

Current Portion		
Non-Current Portion		
Total		

Athi River Level 4 Hospital (Machakos County Government)
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Notes to the Financial Statements (Continued)

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

Balance b/f				
Additions during the year				
Transfers to Capital fund				
Transfers to statement of financial performance				
Other transfers (<i>Specify</i>)				
Balance C/F				

39. Borrowings

Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year		
Balance at end of the period		

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

Current Obligation		
Non-Current Obligation		
Total		

Notes to the Financial Statements (Continued)

40. Service Concession Arrangements

Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

41. Social Benefit Liabilities

Health social benefit scheme		
Unemployment social benefit scheme		
Orphaned and vulnerable benefit scheme		
People Living with Disabilities benefit Scheme		
Elderly social benefit scheme		
Bursary social benefits		
Total		
Current social benefits		
Non- current social benefits		
Total (tie to totals above)		

Athi River Level 4 Hospital (Machakos County Government)
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Notes to the Financial Statements (Continued)

42. Cash Generated from Operations

Surplus for the year before tax		
Adjusted for:		
Depreciation		
Non-cash grants received		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities		

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

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

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

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Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

2022			
Euro	10%		
USD	10%		
2023			
Euro	10%		
USD	10%		

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs (20: KShs). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs (20 – KShs).

iv) Capital Risk Management

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

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

Notes to the Financial Statements (Continued)

44. Related Party Balances

Nature of related party relationships

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

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

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

Transactions with related parties		
a) Services offered to related parties		
Services to		
Sales of services to		
Total		
b) Grants from the Government		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees		
Payments for goods and services for		
Total		
d) Key management compensation		

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Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
Total		

45. Contingent Liabilities

Court case xxx against the company		
Bank guarantees in favour of subsidiary		
Total		

46. Capital Commitments

	Kshs	Kshs
Authorised For		
Authorised And Contracted For		
Total		

47. Events after the Reporting Period

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

48. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of Health . Its ultimate parent is the County Government of Machakos


49. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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



.....
Accounting Officer

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

1							
2							
3							

*Athi River Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

Appendix III: Inter-Entity Confirmation Letter

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF MACHAKOS
DEPARTMENT OF HEALTH & EMERGENCY SERVICES

Telephone:045-600109
Email: athiriverlevel4@gmail.com

ATHIRIVER LEVEL 4 HOSPITAL,

P.O. BOX 145-00204,
ATHIRIVER.

*ATHI RIVER LEVEL 4 HOSPITAL
PO BOX 145-00204*

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

Athi River Level 4 Hospital (Machakos County Government)
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Reference Number	Date Disbursed	Amounts Disbursed by Machakos (KShs) as at 30th June 2023				Amount Received by [Athi River Level 4 Hospital] (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
0100032887	18/10/2022	250,000					
0100033893	22/12/2023	250,000					
0100036107	10/03/2023	1,500,000					
0100037714	04/05/2023	1,000,000					
000000	15/05/2023	79,820					
Total		<u>3,079,820</u>			<u>3,079,820</u>	<u>3,079,820</u>	

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

Head of Accounts Department of the beneficiary entity:

Name .. Brian Mwangi Sign [Signature] Date .. 17/06/2023

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Appendix IV Reporting of Climate Relevant Expenditures

				Q1	Q2	Q3	Q4		

XX Hospital (XX County Government)
Annual Report and Financial Statements for The Year Ended 30th June 20xx

Appendix V: Disaster Expenditure Reporting Template

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