

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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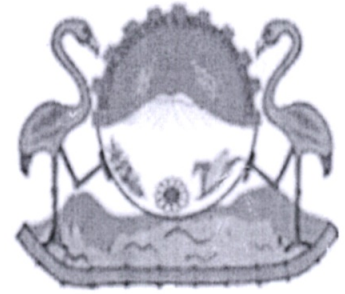
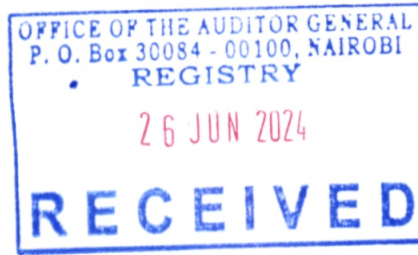
THE AUDITOR-GENERAL

ON

NJORO LEVEL 4 SUB-COUNTY HOSPITAL

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

COUNTY GOVERNMENT OF NAKURU



**NJORO LEVEL 4 SUB-COUNTY LEVEL 4 HOSPITAL
(NAKURU 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)**

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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 Njoro Subcounty Hospital.
KMPDC	Kenya Medical Practitioners and Dentist Council
OPD	Out Patient Department
HCW	Health Care Worker
PFM	Public Finance Management Act
NHIF	National Hospital Insurance Fund

2. Key Hospital Information and Management

(a) Background information

Njoro Sub County Hospital is a level (4) hospital established under gazette notice number **Vol.CXXIII-No.157** and is domiciled in Nakuru County under the Health Department.

The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity of the facility is to offer medical services to all clients.

The mission of the hospital is to promote and participate in the provision of integrated and high quality promotive, preventive and curative health care services to all Kenyans with a vision of being an efficient and high quality health care system that is accessible, equitable and affordable for every Kenyan. Its mandate is to formulate policies, set standards, provide health services, create an enabling environment and regulate provision of health services delivery. The core values of the facility include; Customer-focused, Professionalism, Integrity, Equity and Equality, Transparency and Accountability, Teamwork, Creativity and Innovativeness.

(c) Key Management

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

- County department of health
- Board of Management
- Hospital management committee (HMT)
- Accounting Officer/ Medical Superintendent

(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	Dr. Kinyeru Esther Muthoni
2.	Head of finance	CPA. Alfred Kimutai Kipsang
3.	Head of supply chain	
4.	Health Administrative Officer	Mr. Timothy Njoroge Maina
5.	Nursing Officer In charge	Ms. Margaret Kandie

(e) Fiduciary Oversight Arrangements

The department of health services oversees the operation of the facility directly or indirectly through delegation of duties to the accounting officer in the facility. The board of management has a subcommittee known as audit committee whose task is to do the oversight role on the prudence, efficiency and effectiveness of utilization of resources as well as the proportion of resource allocation to various vote heads.

(f) Njoro Sub County Hospital Headquarters

P.O. Box 141-20107
Njoro
Off Egerton-Elburgon Road
Njoro Sub County, Kenya.

(g) Njoro Sub County Hospital Contacts

Telephone: (+254) 0708789891
E-mail: njorosch@gmail.com

(h) Njoro Sub County Hospital Bankers

Commercial Banks (Kenya Commercial Bank)

(i) Independent Auditors

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



(j) Principal Legal Adviser




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


(k) County Attorney

P.O. Box. 2870-20100
Nakuru, Kenya




3. The Board of Management




Ref	Directors	Details
1.	<p>Stephene Kiarie-Masters of Science in Agronomy.</p> 	<p>Stephene Kiarie is the manegement board chairman,he has a master of science in agronomy with over 50 years of work experience from various institutions and organizations . He is 77 years old.</p>
2.	<p>John Kamau Icigo- Diploma in Supply chain management.</p> 	<p>John Kamau Icigo is the board vice chair,he has Diploma in supply chain management with over 34 years of work experience . He is 76 years old.</p>
3.	<p>Dorcias Wanjiru Githaiga-Diploma in counselling phsychology</p>	<p>Dorcias Wanjiru Githaiga is the board member,she has Diploma in counselling phsychology with over 39 years of work experience . She is 69 years old.</p>
4.	<p>Ann Walubengo- O level</p>	<p>Ann Walubengo is the board member,she has an "O"Level with over 35 years of work experience . She is 63 years old.</p>





		
5.	<p>George Mwangi Wangunyo-O Level</p> 	<p>George Mwangi Wangunyo is the board member,he has an “O”Level with over 25 years of work experience .He is 47 years old.</p>
6.	<p>Newton Irungu Maina-Certificate in plumbing Grade III</p> 	<p>Newton Irungu Maina is the board member,he has certificate in plumbing Grade III with over 10 years of work experience .He is 39 years old.</p>
7.	<p>Boniface Mureno-O Level</p>	<p>Boniface Mureno is the board member,he has an “O”Level with over 10 years.He is 47 Years old.</p>

8.	Dr. Esther Muthoni Kinyeru-Master of Science Public Health. 	Medical Superintendent- Accounting Officer and secretary to the Board.
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4. Key Management Team

Ref	Management	Details
1.	<p>Dr. Esther Muthoni Kinyeru-Master of Science Public Health.</p> 	<p>Medical Superintendent- Accounting Officer</p>
2.	<p>Mr. Timothy Njoroge Maina-Undergraduate degree Bachelor of Arts.</p> 	<p>Health administrative Officer</p>
3.	<p>Ms. Margaret Kandie-Diploma, Kenya Registered Community Health Nurse.</p> 	<p>Nursing Officer In Charge</p>

4.	CPA Alfred Kimutai Kipsang- Undergraduate degree Bachelor of Commerce and Registered Certified Public Accountant of Kenya. 	Head of Accounting & Finance
5.	Mr. Jacob Chelimo-Diploma, Registered Clinical Medicine 	Head of Clinicians
6.	Mr. Daniel G. Njenga-Diploma in Medical Laboratory Technologist 	Head of Laboratory
7.	Mr. Shamia Haron-Diploma, Registered Clinical Medicine	In Charge Comprehensive Care Centre (CCC)

		
8.	<p>Ms. Jane Kinoti-Masters in Public Health, Epidermiology and Disease Control.</p>  	Public Health Officer In Charge.
9.	<p>Ms. Selina Kipkech-Diploma in Nutrition and Dietetic</p> 	Nutrition In Charge
10.	<p>Dr. Evelyne Wanjiru Kahare-Master of Science Health supply chain Management.</p>	Pharmacy In Charge

5. Chairman's Statement

Over the years Njoro Level 4 Sub-County Hospital has made a significant impact on the lives of the community celebrating many achievements while overcoming a multitude of challenges. The hospital management committee has made relentless efforts to provide management insight and this enables a creation of a legacy lasting for decades.

In the last couple of years, the hospital has seen tremendous growth with the services expanding three fold. The services are now automated with the electronic medical system and a cashless method of payment making the process seamless. The ultramodern hospital under construction will give the facility a chance to expand its infrastructure and serve the community better. In light of the expanding infrastructure Njoro Level 4 Sub-County Hospital will look forward to having more specialized consultants and services, additional human resource for health, thus reducing the number of patients being referred out for health care services.

Njoro Level 4 Sub-County Hospital has been truly an incredible experience. I would like to place on record my appreciation for Dr. Esther M Kinyeru for providing exemplary leadership to this Institution. I would also like to express my gratitude to the management, staff, and The Njoro Level 4 Sub-County Hospital team for their passion and unwavering support for the cause. Always assuring you of the best experience in giving back to mankind.

All the best.



Name: Mr. Kiarie Stephene

Chairman to the Board

6. Report of The Medical Superintendent

Njoro sub county hospital is a level IV health facility located in Njoro Subcounty and it has a catchment population of 64,881 with about a 1/2 of the population seeking services from the facility every year. It's also the referral facility for the level 1-3 facilities in the sub county. It sits on a 7-acre piece of land donated by the catholic diocese of Nakuru however, the title deed is yet to be processed. Services offered in the facility include outpatient services with one specialized outpatient clinic, inpatient services, laboratory, maternity, child welfare clinics, family planning and comprehensive care centre services among others. The health workforce lacks in specialization attributed to the low level of infrastructure. Communicable diseases remain the top in disease burden attributed to poor hygiene and sanitation and high defaulter rates. Non communicable diseases are on the rise owing to the sedentary lifestyle in the community. While the financial statements focus on the liquidity of the organization as to deliver on its financial obligations, on the other hand the Annual Work Plan (AWP) focus on improving the infrastructure of the hospital gearing towards a proper level 4 hospital. It will also focus on improving primary health care through strengthening the quality of health service in the context of universal health care (UHC).

Resource envelope is majorly from the facility improvement fee; the facility head and the health management team aim to establish a resource mobilization strategy that will enable pool funds from partners and other stakeholders. Limitation of resources has remained the hospital's biggest challenge.

Njoro Sub County Hospital has the potential to be one of Nakuru County success stories from its growing demand of its services from the community, a dynamic catchment population and its pivotal role in health care in Njoro Sub County.

Addressing the challenges of low infrastructure, low specialized workforce, the skills gap between market requirements for the different cadres, commodity stock outs; and leveraging good political will, other health related organizations, private sector and other potential stakeholders. Health care that will transform the lives of citizens from within and about, will be a major goal for the hospital.

We thank the Chief Officers, the County Directors and the entire County Management Team for their guidance throughout the process of coming up with financial statements. We are indebted to the Njoro Sub County hospital health management team for their tireless work on the document

and sharing into the hospital mission and vision. We thank the staff of Njoro Sub County Hospital and our partners for the input, comments and commitment during the entire process.

We acknowledge the participation and input from Njoro Sub County Health Management Team (SCHMT).

We wish to convey our gratitude to Ministry of Health sister organizations, other hospitals within Nakuru county that we were in consultation with during the development of this financial statements.

The financial performance of the facility has been within a margin of safety which has been contributed by strengthening of the revenues drivers including the automation of services, acquisition of income generating equipment like radiology/ultrasound machine and other sophisticated lab equipment. Additionally, due to the increased number of capitated clients under NHIF scheme, the facility has been able to record additional capitation fees compared to previous years.

The facility has got the potential of improving higher than this should the challenge of bed capacity for both inpatient and maternity wards cease to be a limiting factor. Despite increasing the number of clients under NHIF scheme, the challenge of failing to honor the settlement of claims within 90 days as per the contract credit policy has contributed significantly to low collection of revenue.

We acknowledge the internal policy on working capital management which has enable the facility meets its financial obligations as at when they fall due.

Lastly, we acknowledge the dedication of all other individuals and stakeholders who participated at various levels of the process and finalization of this statement.



Name: Dr. Esther M Kinyeru.

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

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

Njoro sub county hospital has five strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY2022/2023. These strategic pillars/ themes/ issues are as per the table below;

Njoro sub county hospital develops its annual work plans based on the below five pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The performance targets set for the FY 2022/2023 period for its strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1:communicable conditions	To Eliminate communicable conditions	High defaulter ratio, inadequate knowledge on preventive measures.	Defaulter tracing, health education	Reduced number of defaulters
2.Violence and Injuries	To reduce the burden of violence and injuries	Ignorance on road safety measures, retrogressive cultural practices	Stakeholder involvement, create awareness.	Reduced number of accidents and assaults
3.Provide essential services	To ensure availability of	Poor referral systems,	Increased funding,	Reduced cases of referrals

	essential services	inadequate commodities	improving referral system	
4.Exposure to health risk factors	To improve nutrition practices, to improve on family planning services	Drug abuse, cigarette smoking and alcohol abuse among youths	Health education, create demand for family planning through health education	Increased number of youth friendly members.
5.strengthen health collaboration with health related sectors	To strengthen collaboration with health sectors	Lack of stakeholders forum	To form stakeholders forum	Increased collaboration with health sectors.

8. Corporate Governance Statement

Njoro sub county hospital has convened a total of twenty four (24) meetings with varied agenda. The meetings include Board meetings, Hospital management meetings, Executive expenditure committee meetings, sub committees and general purpose committee meetings.

The schedules ranges from monthly to quarterly depending on the business agenda to be deliberated on.

Each committee has different mandates as follows;

HOSPITAL MANAGEMENT COMMITTEE(HMC):

The hospital management committee members were done induction by the department of health.

During the induction the member's functions were given as follows:

1. Oversight roles
2. Link between the hospital and the community
3. Roles Various sub-committees in the hospital
4. Represents the office of the Governor

After the induction the H.M.C members formed the following sub- committees:

FINANCE AND GENRAL PURPOSE COMMITTEE;

The finance sub-committee oversees the collection of hospital revenue, the budgeting process and the prudent implementation of the budget presented by the hospital.

EXECUTIVE EXPENDITURE COMMITTEE;

This committee plays a role on allocations to be made on every vote during budgeting.

The members of this committee includes:

- Accountant
- Hospital administrator
- Medical superintendent
- Nursing officer in-charge
- Laboratory in-charge
- Pharmacist in-charge.

RENUMERATION

The payment of members allowances is guided by a circular that was issued by the Director Administration and planning Ref no. NCG/GENERAL/136W6/2019 dated 7th January 2019.

FULL HMC MEETING

Chairperson-Sitting allowances Ksh 6,000
-Lunch allowance Ksh 2,500
TOTAL ksh8, 500

Member's-Sitting allowances Ksh 4,000
-Lunch allowances Ksh 2,500
TOTAL Ksh 6,500

SUB COMMITTEES/SPECIAL MEETINGS

Sitting allowances Ksh 3,000
Lunch allowances Ksh 2,500
TOTAL Ksh5, 500

APPOINTMENT/ REMOVAL OF H.M.C

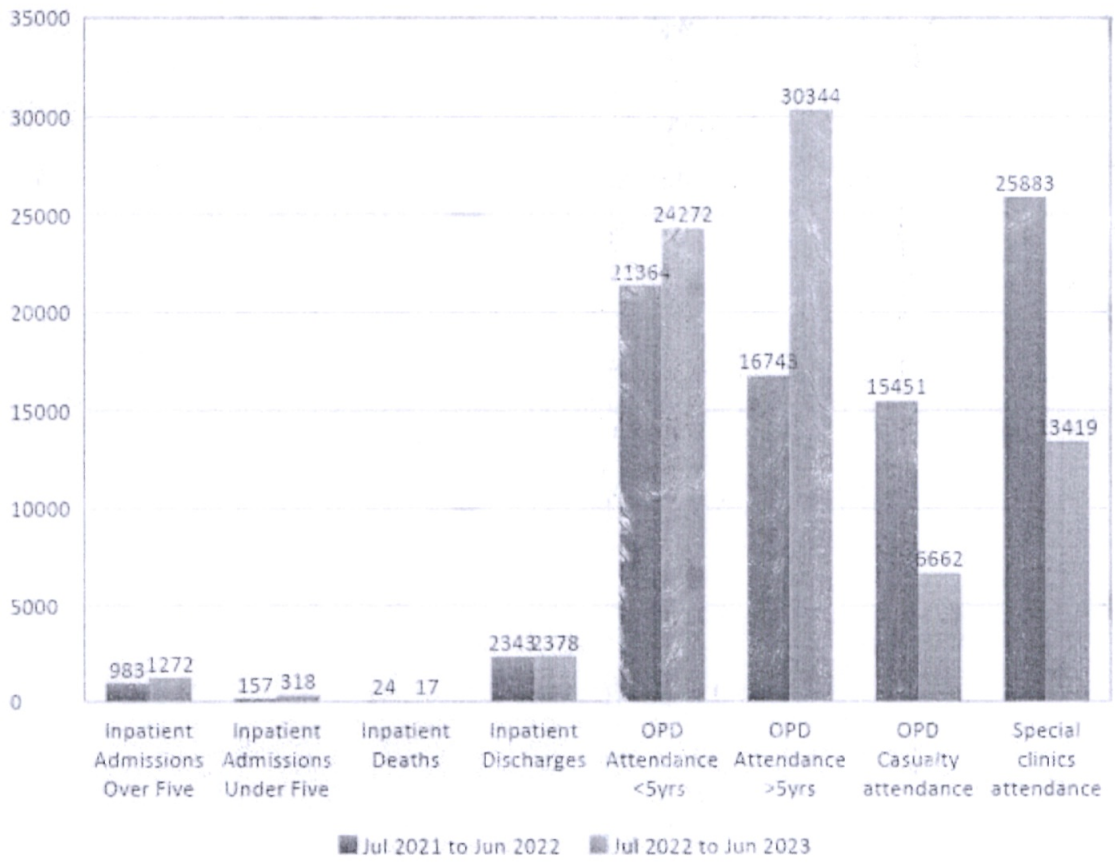
The process of appointment and removal of the H.M.C members is vested with the county leadership.

9. Management Discussion and Analysis

Clinical/operational performance

Njoro sub county hospital has a bed capacity of 24 this includes maternity, male and female ward. During the financial year 2022/2023 we had a total of 48,677 clients for both inpatient and outpatient, Accidents and emergency department had 6,662 clients that were received. The facility also has operational special clinics which are TB clinic, Comprehensive care clinic, medical clinic and Nutrition clinic where we had 13,419 clients. The average length of stay for inpatient in our facility is 2 days where the bed occupancy rate is 55%, Over the period we had 17 deaths which is 0.025% mortality rate over our catchment population of 68,033.

Njoro Sub county Hospital		
data name	Jul 2021 to Jun 2022	Jul 2022 to Jun 2023
Inpatient Admissions Over Five	983	1272
Inpatient Admissions Under Five	157	318
Inpatient Deaths	24	17
Inpatient Discharges	2343	2378
OPD Attendance <5yrs	21364	24272
OPD Attendance >5yrs	16743	30344
OPD Casualty attendance	15451	6662
Special clinics attendance	25883	13419



Financial performance that includes

The main source of revenue is Facility improvement funds(FIF) from various revenue streams within the departments of the facility ie Outpatient, inpatient, laboratory services, radiology and pharmacy.

The hospital has an absorption rate of 99.5% of its budgetary allocation.

..... *Est M*

Name : Dr. Esther M Kinyeru

Secretary to the Board

10. Environmental and Sustainability Reporting

Njoro Sub County 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

Njoro Level 4 Sub-County Hospital has curtailed energy consumption by upgrading to energy-efficient lighting and equipment. Optimizes the use of natural light. The hospital is in the process of lobbying for solar panels so as to generate renewable energy. The hospital also has grown food for patients with a farm-to-table program.

ii) Environmental performance

Njoro Level 4 Sub-County Hospital adopt a comprehensive waste management approach by identifying and segregating waste into hazardous waste.

iii) Employee welfare

The hiring process is done centrally by the county public service board and issues of gender are taken into consideration. The hospital through the department of health supports training of compulsory management course for different job groups at the Kenya School of Government. Appraisals are done yearly with amid year review of the progress. Staff are also engaged in an yearly team building activities with other activities running throughout the year. They also enjoy tea and snacks everyday provided by the hospital. The casual labours and some health care workers have the benefit of being provided with uniform and the protective gear by the hospital.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Njoro Level 4 Sub-County Hospital is competitive enough through provision of professional health care services which gives the facility a competitive edge over other health facilities within its locality.

b) Responsible Supply chain and supplier relations

Njoro Sub County hospital maintains good business practices, and treats its own suppliers responsibly by honouring contracts in time and respecting payment practices. At the moment Njoro Level 4 Sub-County Hospital has no pending bills and has no debt with any supplier.

c) Responsible marketing and advertisement

The hospital markets itself through community engagement in various platform like through community health volunteers, outreaches. Patient reviews are also conducted verbally or through a telephone system. New services are usually sent out via emails and social media platforms

Product stewardship

The rights of the patients are safeguarded through confidentiality, regular checks by the health care bodies like pharmacy and poisons board (PPB) checking the pharmaceuticals in the facility and the KMPDC checks on the HCW services.

v) Corporate Social Responsibility / Community Engagements

Njoro Level 4 Sub-County Hospital has quarterly community outreach and health awareness program. It also has a free maternal day where all expectant mothers come for education, screening and they are served snacks. The vital signs are free in the hospital. Waivers are also issued to the very needy cases and the disabled.

11. Report of The Board of Management

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

Principal activities

The principal activities of the Njoro Level 4 Sub-County Hospital are outpatient services with one specialized outpatient clinic, inpatient services, laboratory, maternity, child welfare clinics, family planning and comprehensive care center services among others.

Board of Management

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

Auditors

The Auditor General is responsible for the statutory audit of the Njoro Level 4 Sub County Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of that Njoro Sub County Hospital, which give a true and fair view of the state of affairs of the Njoro Level 4 Sub-County Hospital at the end of the financial year/period and the operating results of the Njoro Level 4 Sub-County Hospital for that year/period. The Board of Management is also required to ensure that the Njoro Level 4 Sub-County Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Njoro Sub County Hospital. The council members are also responsible for safeguarding the assets of the Njoro Sub County Hospital.

The Board of Management is responsible for the preparation and presentation of the Njoro Sub County Hospital's financial statements, which give a true and fair view of the state of affairs of the Njoro Level 4 Sub-County Hospital for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Njoro Sub county 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 Njoro Sub county Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the Njoro Sub County Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and. The Board members are of the opinion that the Njoro Sub County Hospital's financial statements give a true and fair view of the state of Njoro Sub County Hospital's transactions during the financial year ended June 30, 2023, and of the Njoro Sub County Hospital's financial position as at that date. The Board members further confirm the completeness of the accounting

records maintained for the Njoro Sub County Hospital, which have been relied upon in the preparation of the Njoro Sub County Hospital's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements) OR

Nothing has come to the attention of the Board of management to indicate that the Njoro Level 4 Sub-County Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 18/06/2024 and signed on its behalf by:



Name: Mr. Stephene Kiarie
Chairperson
Board of Management



Name: Dr. Esther M Kinyeru
Accounting Officer

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
Email: 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 NJORO LEVEL 4 SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF NAKURU

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 Njoro Level 4 Sub-County Hospital - County Government of Nakuru set out on pages 1 to 35, which comprise of the

Report of the Auditor-General on Njoro Level 4 Sub-County Hospital for the year ended 30 June, 2023 – County Government of Nakuru

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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Njoro Level 4 Sub-County Hospital - County Government of Nakuru 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. Inaccurate Total Net Assets and Liabilities

The statement of financial position reflects total net assets and liabilities balance of Kshs.23,427,327 while the statement of changes in net assets reflects a balance of Kshs.20,759,087 resulting to an unexplained variance of Kshs.2,668,240.

In the circumstances, the accuracy, completeness of total net assets and liabilities balance of Kshs.23,427,327 could not be confirmed.

2. Variances in Revenue from Rendering of Medical Services

The statement of financial performance reflects rendering of services – medical service income amount of Kshs.24,944,656 as disclosed in Note 7 to the financial statements. Included in the amount is other medical services income of Kshs.10,285,715 which is claims received from the National Health Insurance Fund (NHIF). However, NHIF records reflected an actual reimbursement of Kshs.9,907,980 resulting to an unexplained variance of Kshs.377,735.

In the circumstances, the accuracy and completeness of revenue from rendering of services – medical services income amount of Kshs.24,944,656 could not be confirmed.

3. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.2,460,173 as disclosed in Note 16 to the financial statements. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.2,460,173 could not be confirmed.

4. Variances in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.12,553,248 as disclosed in Note 14 to the financial statements. The amount relates to dues from the National Health Insurance Fund (NHIF) whose records indicate a balance of Kshs.6,104,864 resulting to an unexplained and unreconciled variance of Kshs.6,448,384. Further, the amount has been outstanding for more than twelve (12) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 30 days of submission.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.12,553,248 could not be confirmed.

5. Unconfirmed Inventories Balance

The statement of financial position reflects inventory balance of Kshs.2,900,457 as disclosed in Note 15 to the financial statements. However, there was no evidence of annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2023.

In the circumstances, the accuracy, completeness and valuation of the inventory balance of Kshs.2,900,457 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters 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 Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects rendering of services – medical service income amount of Kshs.24,944,656 as disclosed in Note 7 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that receivers of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

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

2. Delayed Completion of the Out-patient and In-patient Block

Review of Hospital records revealed the construction of an outpatient block with a contract sum of Kshs.147,538,940 commenced on 16 February, 2021 for a contract period of forty (40) weeks which lapsed on 23 November, 2021. However, during verification in the month of April, 2024 revealed the project was still under construction with an estimated completion level of 70%. In addition, the project was being constructed on a donated seven (7) acre piece of land whose ownership documents were not provided for audit .

In the circumstances, the value for money and ownership of the construction of an outpatient and in-patient block with a contract sum of Kshs.147,538,940 could not be confirmed.

3. Irregular Engagement of Casual Workers

The statement of financial performance reflects employee costs amount of Kshs.4,243,813 as disclosed in Note 9 to the financial statements out of which Kshs.742,228 related to payment of contractual employees. However, it was noted that Management engaged casual workers for more than three months. This was contrary to Section B.16(1) of the County Public Service Human Resource Manual, May 2013 which states that 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.

4. 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 ninety (90) staff requirements or 89% of the authorized establishment.

Staff Requirements	Level 4 standard	No. in Hospital	Variance	Percentage %
Medical Officers	16	1	15	94
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	10	65	87
Total	101	11	90	89

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	28	122	81
Resuscitaire (2 in Labor & 1 in Theatre)	2	2	0	0
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	0	5	100
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with atleast 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	0	2	100

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 understaffing and inadequate Hospital equipment may negatively have impacted on service delivery to the public.

5. Inadequate Universal Health Coverage (UHC) Commodities and Services

The statement of financial performance reflects clinical costs of Kshs.18,459,670 as disclosed in Note 8 to the financial statements. The amount includes Kshs.4,957,364 incurred on pharmaceuticals supplies out of which Kshs.821,878 was spent on Universal Health Coverage program medical commodities. However, these medical commodities were inadequate to implement the Programme since the Hospital had budgeted Kshs.4,957,364 which translates to 17% of the hospital needs. In addition, there was no evidence to show that the hospital was allocated healthcare workers employed by the National Government to implement the Programme.

In the circumstances, the right to the highest attainable standard of health, which includes the right to healthcare services, including reproductive healthcare 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.

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. Stock-Outs of Essential Medical Supplies

The statement of financial position reflects inventory balance of Kshs.2,900,457 as disclosed in Note 15 to the financial statements. Review of the Hospital stock cards for controlling stores indicated that the Hospital experienced stock out of medical supplies ranging from six (6) days to three hundred and sixty-three (363) days.

In the circumstances, access to the highest attainable standard of health could not be confirmed.

2. Expiry of Medical Supplies

The statement of financial position reflects inventory balance of Kshs.2,900,457 as disclosed in Note 15 to the financial statements. Review of the management of pharmaceuticals at the Hospital revealed that 30,327 units of various drugs of undetermined value had expired. Further, the stock cards used to issue drugs to various departments in the Hospital did not indicate the batch number and the expiry dates of the drugs.

In the circumstances, the Hospital may have lost monies and the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical inventory could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 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 overall governance.

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

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

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

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 overall

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 review 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 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 controls may not prevent or detect misstatements and instances of noncompliance. 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 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 the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

8 July, 2024

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

Description	Note	2022-2023.	2021-2022.
		Kshs	Kshs
Revenue from exchange transactions			
In-kind contributions from the County Government	6	16,167,169	18,113,308
Rendering of services- Medical Service Income	7	24,944,656	24,060,761
Total revenue		<u>41,111,825</u>	<u>42,174,069</u>
Expenses			
Medical/Clinical costs	8	18,459,670	21,910,905
Employee costs	9	4,243,813	4,033,105
Board of Management Expenses	10	727,500	495,500
Repairs and maintenance	11	1,400,491	2,397,111
General expenses	12	5,563,871	5,963,081
Total expenses		<u>30,395,345</u>	<u>34,799,702</u>
Net Surplus / (Deficit) for the year		10,716,480	<u>7,374,367</u>

The Hospital's financial statements were approved by the Board on 18/06/2024 and signed on its behalf by:



Mr. Stephene Kiarie
Chairman
Board of Management



CPA. Alfred Kimutai Kipsang
Head of Finance
ICPAK No: 26826



Dr. Kinyeru Esther Muthoni.
Medical Superintendent

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	5,513,449	4,620,180
Receivables from exchange transactions	14	12,553,248	2,855,900
Inventories	15	2,900,457	2,016,527
Total Current Assets		20,967,154	9,492,607
Non-current assets			
Property, plant, and equipment	16	2,460,173	550,000
Total Non-current Assets		2,460,173	550,000
Total assets		<u>23,427,327</u>	<u>10,042,607</u>
Liabilities			
Current liabilities			
Total Current Liabilities		-	-
Non-current liabilities			
Total Non-current liabilities		-	-
Total Liabilities		-	-
Net assets			
Accumulated surplus/Deficit		20,759,087	7,374,367
Capital Fund		2,668,240	2,668,240
Total Net Assets and Liabilities		<u>23,427,327</u>	<u>10,042,607</u>

The Hospital's financial statements were approved by the Board on 18/06/2024 and signed on its behalf by:


.....

Mr. Stephene Kiarie
Chairman
Board of Management


.....

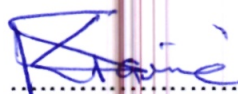
CPA. Alfred Kimutai Kipsang
Head of Finance
ICPAK No: 26826


.....

Dr. Kinyeru Esther Muthoni.
Medical Superintendent

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital	Total
			Fund	
As at July 1, 2021 (previous year)	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	7,374,367	-	7,374,367
Capital/Development grants	-	-	2,668,240	2,668,240
As at June 30, 2022 (previous year)	-	<u>7,374,367</u>	<u>2,668,240</u>	<u>10,042,607</u>
At July 1, 2022 (current year)	-	7,374,367	2,668,240	10,042,607
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	10,716,480	-	10,716,480
Capital/Development grants	-	-	-	-
At June 30, 2023	-	18,090,847	<u>2,668,240</u>	<u>20,759,087</u>



Mr. Stephen Kiarie
Chairman
Board of Management



CPA. Alfred Kimutai Kipsang
Head of Finance
ICPAK No: 26826



Dr. Kinyeru Esther Muthoni.
Medical Superintendent

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
In-kind contributions from the County Government	6	16,167,169	18,113,308
Rendering of services- Medical Service Income	7	24,944,656	24,060,761
Total Receipts		<u>41,111,825</u>	<u>42,174,069</u>
Payments			
Medical/Clinical costs	8	10,205,539	26,783,332
Employee costs	9	4,243,813	4,033,105
Board of Management Expenses	10	727,500	495,500
Repairs and maintenance	11	1,400,491	2,397,111
General expenses	12	5,563,871	5,963,081
Total Payments		<u>22,141,214</u>	<u>39,672,129</u>
Net cash flows from operating activities	17	<u>2,803,442</u>	<u>2,501,940</u>
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets	16	(1,910,173)	(550,000)
Net cash flows used in investing activities		<u>(1,910,173)</u>	<u>(550,000)</u>
Cash flows from financing activities			-
Net cash flows used in financing activities		0	-
Net increase/(decrease) in cash and cash equivalents		893,269	1,951,940
Cash and cash equivalents as at 1 July 2022		4,620,180	2,668,240
Cash and cash equivalents as at 30 June 2023	13	<u>5,513,449</u>	<u>4,620,180</u>

The notes set out on pages 1 to 36 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by


.....

Mr. Stephene Kiarie
Chairman
Board of Management


.....

CPA. Alfred Kimutai Kipsang
Head of Finance
ICPAK No: 26826

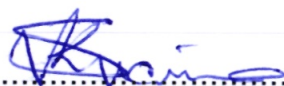

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Dr. Kinyeru Esther Muthoni.
Medical Superintendent

*Njoro Level 4 Sub County Hospital (Nakuru 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 Jun 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	A	B	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
In-kind contributions from the County Government	-	16,167,169	16,167,169	16,167,169	-	
Rendering of services- Medical Service Income	24,944,656	-	24,944,656	24,944,656	-	100%
Total income	24,944,656	16,167,169	41,111,825	41,111,825	-	100%
Expenses						
Medical/Clinical costs	10,205,539.00	8,254,131	18,459,670	18,459,670	-	100%
Employee costs	4,243,813.00	-	4,243,813	4,243,813	-	100%
Remuneration of directors	727,500.00	-	727,500	727,500	-	100%
Repairs and maintenance	1,400,491.00	-	1,400,491	1,400,491	-	100%
General expenses	5,563,871.00	-	5,563,871	5,563,871	-	100%
Total Expenditure	22,141,214.00	8,254,131	30,395,345	30,395,345	-	
Surplus for the period	2,803,442.00	-	10,716,480	10,716,480		
Capital expenditure						



Mr. Stephen Kiarie
Chairman
Board of Management



CPA. Alfred Kimutai Kipsang
Head of Finance
ICPAK No: 26826



Dr. Kinyeru Esther Muthoni.
Medical Superintendent

19. Notes to the Financial Statements

1. General Information

Njoro sub-county hospital is established by and derives its authority and accountability from PFM Act. The Njoro Sub-County Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The Njoro Sub-County Hospital's principal activity is to provide integrated quality services for all

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 Njoro Sub County Hospital'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 Njoro Sub County Hospital. The financial statements have been prepared in accordance with the PFM Act 164(1), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to Financial Statements Continued

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2022.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Hospital'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 Hospital'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</p>

*Njoro Level 4 Sub County Hospital (Nakuru County Government)
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	<p>reporting Hospital provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Hospital;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Hospital's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from 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"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • IPSAS 39: Employee Benefits <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p>

*Njoro Level 4 Sub County Hospital (Nakuru County Government)
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	<ul style="list-style-type: none"> IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

ii. **Early adoption of standards**

The Njoro Sub-County Hospital did not early – adopt any new or amended standards in the year 2022/2023.

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 Njoro Sub-County Hospital and can be measured reliably.

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Njoro Sub-County Hospital's right to receive payments is established.

Rental income

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

Budget information

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

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

b. 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.

c. 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 given 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.

d. Property, plant and equipment

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

e. Leases

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

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

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

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

f. 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

g. Research and development costs

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

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

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

h. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The hospital determines the classification of its financial assets at initial recognition.

Loans and receivables

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

the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Hospital has the positive Intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

- The debtors or amenity 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 (changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

a. Inventories

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

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

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

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

recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Hospital.

b. Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

c. Nature and purpose of reserves

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

d. Changes in accounting policies and estimates

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

e. Employee benefits

Retirement benefit plans

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

f. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

g. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

h. Related parties

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

i. Service concession arrangements

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

j. Cash and cash equivalents

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

k. Comparative figures

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

l. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Hospital's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about

these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

6. In-kind contributions from the County Government

Description	2022/23	2021/22
	KShs	KShs
Salaries and wages		-
Pharmaceutical and Non-Pharmaceutical Supplies		-
Medical supplies-Drawings Rights (KEMSA)	16,167,169	18,113,308
Utility bills		-
Total grants in kind	16,167,169	18,113,308

7. Rendering of Services-Medical Service Income

Description	2022/2023	2021/2022
	KShs	KShs
Pharmaceuticals	3,976,339	4,290,385
Non-Pharmaceuticals	1,317,206	2,917,496
Laboratory	2,970,412	2,379,060
Radiology	2,180,542	879,000
Nutrition service	20,140	12,100
Reproductive health	624,302	432,200
NHIF Reimbursement	3,570,000	11,543,985
Other medical services income	10,285,715	1,606,535
Total revenue from the rendering of services	24,944,656	24,060,761

8. Medical/ Clinical Costs

Description	2022/2023	2021/2022
	KShs	KShs
Laboratory chemicals and reagents	1,024,527	994,163

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Food and Ration	1,452,147	1,061,085
Uniform, clothing, and linen	67,450	400,000
Dressing and Non-Pharmaceuticals	2,005,961	1,927,633
Pharmaceutical supplies	4,957,364	3,270,000
Health information stationery	219,910	296,810
Sanitary and cleansing Materials	229,780	590,374
Purchase of Medical gases	207,000	59,959
X-Ray/Radiology supplies	41,400	70,000
Donated drugs	8,254,131	13,240,881
Total medical/ clinical costs	18,459,670	21,910,905

9. Employee Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries, wages, and allowances	3,501,585	3,583,200
Contractual Employees	742,228	449,905
Employee costs	4,243,813	4,033,105

10. Board of Management Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Sitting allowance	727,500	495,500
Total	727,500	495,500

11. Repairs and Maintenance

Description	2022/2023	2021/2022
	Kshs	Kshs
Property- Buildings	490,287	800,000
Medical equipment	0	205,000
Office equipment	0	467,645
Furniture and fittings	0	78,233
Computers and accessories	257,050	144,000
Motor vehicle expenses	374,700	310,000
Maintenance of civil works	278,454	392,233
Total repairs and maintenance	1,400,491	2,397,111

12. General Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Catering expenses	457,180	321,729
Bank charges	112,756	191,773
Contracted services	528,000	572,000
Electricity expenses	1,120,788	1,052,754
Travel and accommodation allowance	399,900	260,000
Courier and postal services	9,450	10,500
Printing and stationery	539,825	882,810
Water and sewerage costs	210,176	254,730
Telephone and mobile phone services	230,000	240,000
Internet expenses	114,000	219,985
Staff training and development	190,596	235,000
Daily Subsistence Allowance	460,000	370,000
Refined Fuels	1,151,200	1,251,800
Social contribution-staff uniform	40,000	100,000
Total General Expenses	5,563,871	5,983,081

13. Cash and Cash Equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
Current accounts	5,513,449	4,620,180
Total cash and cash equivalents	5,513,449	4,620,180

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

Description		2022/2023	2021/2022
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1101880465	5,513,449	4,620,180
Equity Bank, etc		-	-
Sub- total		5,513,449	4,620,180
Grand total		5,513,449	4,620,180

14. Receivables from Exchange Transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Medical services receivables	12,553,248	2,855,900
Total receivables	12,553,248	2,855,900

Analysis of Receivables From Exchange Transactions

Description	2022/2023		2021/2022	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	4,644,702	37%	-	-
Between 1- 2 years	5,021,300	40%	-	-
Between 2-3 years	1,882,988	15%	1,562,200	55%
Over 3 years	1,004,258	8%	1,293,700	45%
Total (a+b)	12,553,248	100%	2,855,900	100%

15. Inventories

Description	2022/2023	2021/2022
	Kshs	Kshs
Pharmaceutical supplies	1,652,455	1,066,667
Maintenance supplies	-	-
Food supplies	484,049	250,660
Linen and clothing supplies	467,450	400,000
Cleaning materials supplies	76,593	49,200
General supplies	219,910	250,000
Less: provision for impairment of stocks	(-)	(-)
Total	2,900,457	2,016,527

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Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical Equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2021 (previous year)	-	-	-	550,000	-	-	-	550,000
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2022	-	-	-	550,000	-	-	-	550,000
At 1 July 2022 (current year)	-	-	-	550,000	-	-	-	550,000
Additions	-	-	-	-	-	1,910,173	-	1,910,173
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2023	-	-	-	550,000	-	1,910,173	-	2,460,173
Depreciation and impairment								
At 1 July 2021(previous year)	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30 June 2023	-	-	-	-	-	-	-	-

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At July 2023 (current year)	-	-	0	550,000	0	1,910,173	0	2,460,173
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30th June 2023	-	-	-	-	-	1,910,173	-	2,460,173
Net book values	-	-	-	-	-	-	-	-
At 30 th Jun 2022 (previous)	-	-	-	550,000	-	-	-	550,000
At 30 th Jun 2023 (current)	-	-	-	550,000	-	1,910,173	-	2,460,173

Notes to the Financial Statements (Continued)

17. Cash Generated from Operations

Description	2022/2023	2021/2022
	KShs	KShs
Surplus for the year before tax	10,716,480	7,374,367
Adjusted for:		
Depreciation		-
Non-cash grants received	2,668,240	
Impairment		-
Gains and losses on disposal of assets		-
Contribution to provisions		-
Contribution to impairment allowance		-
Working Capital adjustments		
Increase in inventory	(883,930)	(2,016,527)
Increase in receivables	(9,697,348)	(2,855,900)
Increase in deferred income		-
Increase in payables		-
Increase in payments received in advance		-
Net cash flow from operating activities	2,803,442	2,501,940

Notes to the Financial Statements (Continued)

18. Financial Risk Management

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

The Njoro Sub County Hospital's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Njoro Level 4 Sub-County Hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the

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credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Njoro Sub County Hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 (previous year)				
Receivables from exchange transactions	2,855,900	2,855,900	-	-
Bank balances	4,620,180	-	-	-
Total	7,476,080	2,855,900	2,855,900	
At 30 June 2023 (current year)				
Receivables from exchange transactions	9,697,348	6,841,448	2,855,900	-
Bank balances	5,513,449	-	-	-
Total	15,210,797	6,841,448	2,855,900	

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Njoro Level 4 Sub-County Hospital has significant concentration of credit risk on amounts due from 2021. The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the management of the Njoro Sub County Hospital's short, medium and long-term funding and liquidity management requirements. The Njoro Level 4 Sub-County

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Hospital manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the Njoro Level 4 Sub-County Hospital 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 Njoro Sub County Hospital's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The 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 Njoro Level 4 Sub County Hospital's exposure to market risks or the way it manages and measures the risk.

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

a) Foreign currency risk

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

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial assets (investments, cash, debtors)	-	-	-

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Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

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

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2021			
Euro	10%	-	-
USD	10%	-	-
2022			
Euro	10%	-	-
USD	10%	-	-

Interest rate risk

Interest rate risk is the risk that the Hospital'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.

Sensitivity analysis

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

iv. Capital Risk Management

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

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

19. Related Party Balances

Nature of related party relationships

Entities and other parties related to the Hospital include those parties who have the ability to exercise control or exercise significant influence over its operating and

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financial decisions. Related parties include management personnel, their associates, and close family members.

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

Description	2022/2023 Kshs	2021/2022 Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to		-
Sales of services		-
Total		-
b) Grants from the Government		
Grants from County Government		-
Grants from the National Government Entities		-
Donations in kind from County Government	-	-
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		
Directors' emoluments		-
Compensation to the medical Sup		-
Compensation to key management		-
Total	-	-

20. Segment Information

21. Events After the Reporting Period

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

22. Ultimate and Holding Entity

The Hospital is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Health. Its ultimate parent is the Government of Kenya.

23. Currency

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

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20. Appendices

Appendix 1: Progress on Follow up of Auditor Recommendations

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

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

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Hospital responsible the for implementation of each issue.
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

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Accounting Officer

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**APPENDIX II: Projects Implemented by Njoro sub county hospital.
 Projects**

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 OUTPATIENT BLOCK	N/A	County Government	40 weeks	N/A	No	No

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	OUTPATIENT BLOCK	147,000,000.00	N/A	70%	N/A	N/A	County Government and World Bank.

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