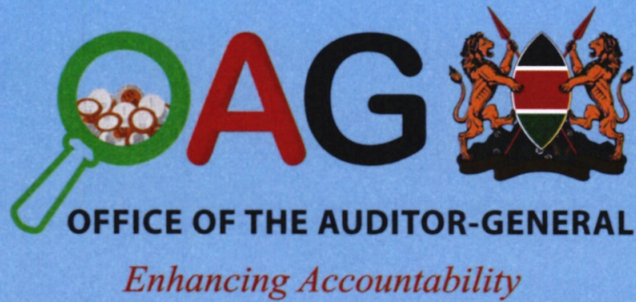
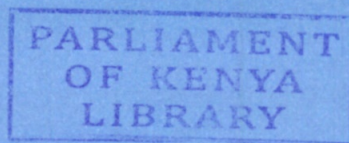


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

LUMUMBA SUB-COUNTY LEVEL 4 HOSPITAL

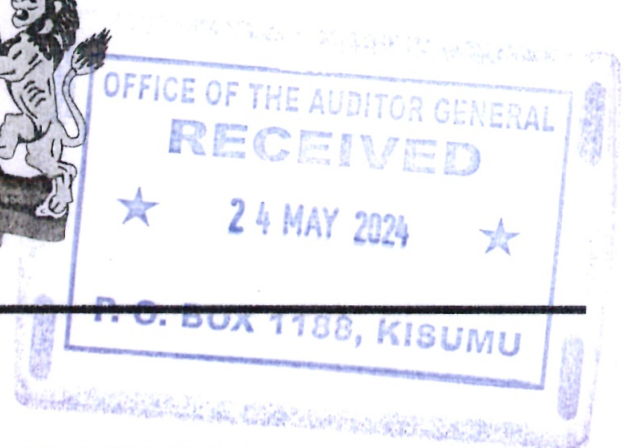
**FOR THE YEAR ENDED
30 JUNE, 2023**

COUNTY GOVERNMENT OF KISUMU

25/09/24
SML
Angela



Revised 30th June 2023



LUMUMBA Level 4 HOSPITAL
(Kisumu 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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I. Acronyms & Glossary of Terms

Provide a list of all acronyms and glossary of terms used in the preparation of this report e.g.

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 hospital.

II. Key Hospital Information and Management

(a) Background information

Lumumba sub-county Hospital is a level (4) hospital established under gazette notice number 8695 and is domiciled in Kisumu County under the health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activities of the hospital are to provide quality and affordable preventive, promotive, rehabilitative and curative health services.

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others (*specify*)

(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	PAMELA OLILO
2.	Head of finance	ELIZABETH ADHIAMBO
3.	Head of supply chain	SAMUEL OCHIENG
4.	Head of Nursing	EMILY WASUNGU
5.	Head of Laboratory	FREDRICK GOGO
6.	Head of pharmacy	DR. LILIAN OIGARA
7.	Head of Clinical services	DR. PAUL ABAJA

(e) Fiduciary Oversight Arrangements

The objectives Audit committee:

- i. To identify unresolved/recurring audit matters from previous external Audit. (Prior year Audit queries).
- ii. To ensure that banking arrangements and facilities are appropriate and adequate.
- iii. To establish whether recording of all bank transactions and balances are bona fide,
- iv. complete, accurate and authorized whenever necessary.
- v. To ensure that the potential for staff malpractice and fraud are minimized.
- vi. To establish whether there is Proper collection, accounting and safe custody of revenue/AIA.
- vii. To ensure adequacy of internal controls to prevent and/detect material misstatement.
- viii. To provide reasonable assurance that the revenue management are free from material misstatement whether due to fraud or error.

The county assembly

The county assembly of Kisumu exercise oversight over the county executive committee and any other county executive organs.

Risk Committee.

The risk committee is responsible for assisting the board in its oversight of the risk management process, reviewing the risk profile, reviewing the effectiveness of the risk management framework and monitoring of mitigation plan.

Clinical Research and standards committee

The responsibility is to identify and address health issues within the community. And also be involved in actions of a social accountability nature, raising issues regarding health service performance

Key Hospital Information and Management (continued)

(f) **Hospital Headquarters**
LUMUMBA SUB-COUNTY HOSPITAL
P.O. Box 486-40100
ONDIEK ESTATE
KISUMU, KENYA

(g) **Hospital Contacts**

Telephone: (+254) 782802344
E-mail: Lumumbasch@gmail.com
Website: www.go.ke

(h) **Hospital Bankers**

Commercial Bank
CO-OPERATIVE BANK OF KENYA

(i) **Independent Auditors**

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

(j) **Principal Legal Adviser**

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

(k) **County Attorney**

P.O. Box. 2738-40100
Kisumu, Kenya

III. The Board of Management

Ref	Directors	Details
	 Mr. Charles Boro The Board Chairman	The Board Chairman Mr. Charles Boro is 54 years and is a businessman who has over thirty years' experience in community work. He has worked with various community-based organisations agitating for the rights of the girl child.
	 Mr. Ayub Otieno Were	The chair of the board subcommittee on Finance and general purpose Mr. Ayub Otieno Were Accomplished professional with over 25 years of accounting experience in Hotel and Automobile industries including 11 years of international exposure in UAE-Dubai.
MED SUP	 Pamela Mokeira Olilo Registered Clinical Officer Hospital Secretary	Pamela Mokeira Olilo is 52 years old and has thirty years of experience in Clinical Medicine and Surgery. She worked in a busy Outpatient Department at Jaramogi Oginga Odinga Teaching and Referral Hospital from 1993. She became the Clinical Officer in charge in 2008 before being posted to Lumumba Sub County Hospital in March 2021 as the Medical Superintendent.

I. Key Management Team

Ref	Management	Details
	 Pamela Olilo Medical Superintendent	In Pamela Mokeira Olilo is 52 years old and has thirty years' experience in Clinical Medicine and Surgery. She worked in a busy Outpatient Department at Jaramogi Oginga Odinga Teaching and Referral Hospital from 1993 and became the Clinical Officer In charge in 2008, before being posted to Lumumba Subcounty Hospital in March 2021 as the Medical Superintendent. Dictate the main area of responsibility – without details
	 Samuel Ochieng Health Administrative Officer	Samuel Chwiri is 43 years old and has twelve years of experience in management. He holds a Diploma in Business Management. He started working at Jaramogi Oginga Odinga Teaching Referral Hospital as accounting clerk in 2011 before being posted to Lumumba Sub County Hospital in August 2018 as Health Administrative Officer (HAO).
	 Elizabeth Adhiambo Akuku Hospital Accountant	Elizabeth Adhiambo Akuku Has 7 years' experience Holder of CPA (K) and Bachelor degree in Commerce (finance option)



Emily Anyango Wasungu
Nursing Officer In charge

Emily Anyango Wasungu is 51 years old and has twenty years' experience in Nursing. She holds a Bachelor of Science in Nursing degree. She previously worked in Jaramogi Oginga Odinga Teaching and Referral Hospital as a Unit Manager from 1998. She was posted to Muhoroni County Hospital in 2016 as the Nursing Officer In charge, before being posted to Lumumba Subcounty Hospital as the Nursing Officer In charge in 2022.s

(Note: The Med sup and the Hospital Secretary will feature both under the 'Board' and 'Management'.)

I. Chairman's Statement

The hospital board of management implemented various activities within the hospital; restructuring the facility for extension of services including the Accident and Emergency Department, a modern Radiology and Imaging Department, the Gender-Based Violence (GBV) Unit, fitting air conditioners in the theatre/pharmacy/laboratory, installing lockable cabinets in theatre/laboratory and painting of the administration block.

The board also upgraded the Hospital Management Information System to maximize revenue collection. The most unique challenge during this period was the delayed disbursement of funds, which led to the accumulation of pending payments due to suppliers dated back to 2019 that remained unpaid in our books.

The management has outlined the following activities for implementation: Acquisition of a modern X-ray machine, putting up a new social amenity (toilet) at the Accident and Emergency Department, acquiring a new backup auto generator, and the renovation of the comprehensive care unit (painting, repairing/fittings and buying the new equipment and furniture.



.....
Name

Chairman to the Board

II. Report of The Medical Superintendent

The main mandate of Lumumba Subcounty Hospital is to provide preventive, promotive, curative, and rehabilitative health services.

It serves a catchment area with a population of 48,266 situated in the Shaurimoyo Kaloleni ward. The ward is served by two community units.

It offers specialized clinical services in Obstetrics/Gynaecology, Paediatrics and Dermatology.

It serves as a mentorship and training institution for health workers and medical students.

The hospital has over the years improved on the quality-of-service delivery therefore attracting more clients. The number of deliveries conducted during the financial year were 2069 and the Outpatient workload was 6364 males and 9733 females

The number of pregnant mothers and children attending our Maternal and Child Health (MCH) clinic has continued to grow with 86% of pregnant women attending at least four ANC visits.

The HMT has been very instrumental in upgrading the Hospital Management Information System to maximize revenue collection, stock management, and dispensing of commodities.

Delayed disbursement of funds is still a challenge and it has led to the accumulation of pending payments due to suppliers that remains unpaid in our books.

The management is engaging the NHIF to help improve on reimbursement and also working towards cashless collections.

The management is still committed to the following activities for implementation with improved funding and support from the County Department of Health: Acquisition of a modern X-ray machine and dental unit, putting up a new social amenity (toilet) at the Accident and Emergency Department, acquiring a new backup auto generator, and the renovation of the comprehensive care unit (painting, repairing/fittings and buying new equipment and furniture).

The Management is also planning to develop a Strategic Policy Document and Service Charters

Pamela Olilo



Name

Secretary to the Board



III. Statement of Performance Against Predetermined Objectives

Lumumba Sub- County hospital four strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows:

- 1: Quality Improvement
- 2: Leadership and governance
- 3: Health information and research
- 4: Healthcare financing and sustainability

Lumumba Sub-County hospital develops its annual work plans based on the above four pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *hospital* achieved its performance targets set for the FY 2022/2023 period for its four strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1: Quality Improvement	Enhance Continuous quality improvement	QI charter developed and operational	Develop and implement quality improvement team	100% Clients satisfaction
2: Leadership and governance	Enhance policy formulation, dissemination and implementation	% Increase in hospital performance	Monthly HMT meetings Quarterly board meetings	No. of HMB meetings No. HMT meetings
3. Health Information and research	Strengthen, coordinate and manage	% reduction in average waiting time	Maintain ICT infrastructure to ensure full	Maintenance schedule for the system

Lumumba sub-county Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

	health information		functionality of the system	
4. Healthcare financing and sustainability	To increase revenue generation Facilitate prudent financial management	% increase in revenue % increase in resource allocation to departments	To increase customer base To review user fee charges To diversify revenue streams	No. enrolled in NHIF User fee guidelines Improve out-of- pocket payments.

IV. Corporate Governance Statement

Corporate governance of the facility is the responsibility of the board of management of the hospital and is accountable to the department of medical services, public health and sanitation, County Government of Kisumu for ensuring that the facility complies with the regulations and the standards of corporate governance and business ethics.

Board of management

The hospital board of management (HMB) act as link between the hospital and the community is serves. The board has the ultimate authority and responsibility for patient care and the overall quality of care services in the hospital. The hospital management board has the obligation to demonstrate leadership in determining priorities for the hospital that are consistent with the available resources. The responsibility of the hospital management board is to provide oversight to the hospital management team (HMT) to improve the status of the community.

The participation of community in the hospital management board is vital to represent the community in decision regarding the collection and use of funds and in monitoring the provision quality care services.

The hospital management board is appointed by the Governor on recommendation by the County Executive Member of health. The roles of the hospital management board are:

- i) Overseeing the implementation of government policies and other resource manuals.
- ii) Review of annual budgets and the fiscal management of the hospital.
- iii) Establish and maintain an effective hospital wide quality improvement program.

Conduct of meetings

The hospital management board and the sub-committee convene once per quarter in each financial year (For full board meetings a year). However sometime it is necessary to occasionally hold special meetings to discuss urgent matters such as crises. The quorum of the meeting is always one third of the members, one whom is always the secretary and any two members of the board.

The agendas of the meeting are always drawn by the secretary in consultation with the chairperson. The notification of the meetings is always made at least seven (7) days prior to the meetings and always in line with the schedule of meetings developed by the board at the start of each financial year.

V. Management Discussion and Analysis

The consideration in restructuring an organization is effective coordination of duties and responsibilities to avoid duplication of tasks and effort; clear accountability for results; enhanced teamwork and effective communication; and career development for staff. Appropriate structures also allow the organization to resource and sustain skills and expertise in the organization.

Leadership and governance of Lumumba Sub-County Hospital is vested in the Hospital Management Board. The Board is not expected to perform the day-to-day work of the hospital but should see to it that such work is done by over sighting and delegating tasks and authority to the HMT. The HMT is responsible and accountable to the Chief Officer of Health through the Hospital Management board for its decisions and action.

Clinical/ Operational performance

		<i>FY 2021-2022</i>	<i>FY 2022-2023</i>
<i>Patient attendance; Outpatient and inpatient attendance</i>	<i>Outpatient</i>	18,847	25,929
	<i>inpatient</i>	1,598	2,422
<i>Bed Capacity</i>		17	19
<i>Accident and Emergency</i>		-	-
<i>Special clinic attendance</i>		1,053	1,869
<i>Average length of stay, inpatient</i>		2 days	2 days
<i>Bed occupancy Rate</i>		70%	70%
<i>Mortality Rate</i>		0	4
<i>Maternity; Deliveries</i>		1,598	2,422

 **PAMELA OLICHA**

Name
Secretary to the Board



VI. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

Sustainable construction plays a major role in sustainable development. However, the investment rate in sustainable buildings has decreased in recent years. Social factors are one of the important factors influencing sustainable building development. Finding show that the most important social factors affecting sustainable building development across the world are poor communication and lack of common understanding among stakeholders. Effective communication management, information-sharing, a collaboration between stakeholders, and awareness regarding the benefits of sustainable buildings at an early stage of the project are some of the measures in reducing these barriers (social factors).

ii) Environmental performance

The management has adhered to the national environmental policy of 2013 that aims to provide a framework for an integrated approach to sustainable management of Kenya's environment and natural resources. The management has acquired a modern incinerator as a new environment management tool.

iii) Employee welfare

In Kenya employment is governed by the general law of contract. Employment is basically seen as an individual relationship negotiated by the employee and the employer according to their special needs. Parliament has passed laws specifically dealing with different aspects of the employer-employee relationship. These laws define the terms and conditions of employment. The employment acts include:

Employment Act (cap 514) deals with the health, safety and welfare of an employee.

Employment Act (cap 226) regulation of wages.

Employment Act (cap 229) rules governing wages, housing, leaves and rest

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors.

b) Responsible Supply chain and supplier relations

Not only do you need to pay for what you buy, you should do so in a timely way. If you are dishonest, irresponsible or unethical, you have a virtual obligation to act responsibly to protect the organisation that supplies you.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

Constituting complaint and redress committee.

Strategic placement of the suggestion boxes.

v) Corporate Social Responsibility / Community Engagements

The organisation gives details of CSR activities carried out in the year and the impact to the society.

Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

VII. Report of The Board of Management

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

Principal activities

The principal activities of the hospital are to provide quality and affordable preventive, promotive, rehabilitative and curative health services.

Results

The results of the hospital for the year ended June 30 2023 are set out on pages 1.... to 75

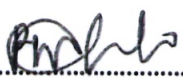
Board of Management

The members of the Board who served during the year are shown on page preliminary pages.

Auditors

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

By Order of the Board


.....
Name PAMELA OILO
Secretary to the Board



VIII. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 (Health Act 2017.. No 21 of 2017) requires the Board of Management to prepare financial statements in respect of that hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year/period and the operating results of the hospital for that year/period. The Board of Management is also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the hospital.

The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year (period) ended on June 30, 20223. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (Health Act 2017. No. 21 of 2017). The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of hospital's transactions during the financial year ended June 30, 2023, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 15/2/2024 and signed on its behalf by:



.....
Name:
Chairperson
Board of Management



.....
Name: PAMELA OLILO
Accounting Officer

MEDICAL SUPERINTENDENT
LUMUMBA SUB-COUNTY HOSPITAL
P.O. BOX 486 - 40100
KISUMU

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON LUMUMBA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF KISUMU

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 control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lumumba Sub – County Level 4 Hospital County- Government of Kisumu set out on pages 19 to 69, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts 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 Lumumba Sub County level 4 Hospital County Government of Kisumu as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the Accrual Basis of accounting method under the Internal Public Sector Accounting Standards and comply with the Health Act, 2017 and the Public Financial Management (County Government) Regulation 2015

Basis for Qualified Opinion

1. Unsupported Property, Plant and Equipment

(i) Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.232,486,073 in respect to property, plant and equipment and as disclosed in Note 21 to the financial statements. However, no depreciation has been charged on these assets even though the financials have been prepared based on IPSAS accumulated basis of accruals. In addition, the Management had not disclosed the rate adopted for depreciation. Further, review of the fixed assets registers revealed that it was incomplete as it did not include information such as asset value, description, tag/serial number, make/model, suppliers name, date of acquisition, original location, current location and the officer responsible for each asset and asset condition.

In the circumstances, the accuracy, ownership and completeness property, plant and equipment of Kshs.232,486,073 could not be confirmed.

2. Inaccuracies in Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.6,491,371 in respect to receivables from exchange transactions as disclosed in Note 19(a) to the financial statements however review of the supporting schedules for National Hospital Insurance Fund (NHIF) reflected Kshs.3,057,500 while NHIF records reflected Kshs.6,990,860 resulting in unreconciled variance of Kshs.3,933,360. In addition, the receivables of Kshs.1,104,620 had been outstanding for a long period and there was no evidence that the Management had not put in place measures to ensure collection.

In the circumstances, the accuracy and recoverability of receivables from exchange transactions of Kshs.6,491,371 could not be confirmed.

(ii) Lack of Ownership and Valuation Documents for Land and Buildings

The statement of financial position reflects a balance of Kshs.232,486,073 in respect to property, plant and equipment and as disclosed in Note 31 to the financial statements.

The assets schedule provided in support of the asset reflects Kshs.200,569,900 and Nil balance in respect to buildings and land respectfully even though the land is presumed to be having a value. In addition, the title documents provided for audit revealed that the land on which the hospital is built is in the name of the defunct Municipal Council of Kisumu. In addition, the deed plan to show where the property is located and valuation reports were not provided to support the balance Kshs.200,569,900 on buildings and civil works.

In the circumstances, the accuracy and ownership in respect to property plant and equipment could not be confirmed.

3. Undisclosed Furniture, Fittings and Office Equipment

As previously reported, Management had not disclosed the previous balance on office furniture, fittings and equipment and only disclosed additions during the year of Kshs.176,400.

In the circumstances, the accuracy and ownership in respect to property plant and equipment could not be confirmed.

4. Non-Disclosure of Intangible Assets

The statement of financial position does not reflect any balance in respect to intangible assets. However, review of the system in place revealed that the hospital had a billing system (Fansoft) whose value was unknown and which Management had not disclosed under intangible assets in the financial statements.

In the circumstances, the accuracy of the hospital's total assets of Kshs.232,486,073 could not be confirmed.

5. Long Outstanding Payables

The statement of financial position reflects a balance of Kshs.15,840,205 in respect to trade and other payables. Review of the ageing analysis revealed that Kshs.7,045,839 had been long outstanding and the Management did not explain the reason for non-settlement even though it should have form first charge 2022/2023 budget as per the requirements of regulation 139(7) of the Public Procurement and Asset Disposal Regulation 2020. In addition, the trade and other payables include payroll deductions of Kshs.55,800 and Kshs.70,000 from National Social Security Fund (NSSF) and National Hospital Insurance Fund (NHIF) respectfully which had not been remitted.

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

6. Variances in Trade and Other Payables

The statement of financial position reflects the trade and other payables balance of Kshs.15,840,205 as disclosed in Note 22 to the financial statements. The balance includes Kshs.223,500 owed to Kenya Medical Supplies Authority (KEMSA) while KEMSA records reflect Kshs.264,748 resulting to an unexplained variance of Kshs.41,248.

In the circumstances, the accuracy, and completeness of the trade payable balance of Kshs.15,840,205 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.18,539,318 and Kshs.15,762,846 respectively resulting to an under-funding of Kshs.2,776,472 or 15% of the budget. Similarly, the hospital spent Kshs.12,635,401 against actual receipts of Kshs.15,762,846 resulting to under-utilization of Kshs.3,127,445 or 20% of the receipts.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit of the previous year, several issues were raised under the Report of the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness on Internal Controls, Risk Management and Governance. Even though Management indicate the issues as resolved, the evidence of resolution has not been provided. The issues remain unresolved.

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 an effective way.

Basis for conclusion

1. Failure to Open Facility Improvement Bank Account

Review of the bank account documents revealed that Management has only one operations account and has not opened a facility improvement bank account contrary to Section 5(a) of the Kisumu County Health Facilities Improvement Fund Act, 2021 states that each public health facility shall open and operate a bank account called Facility Improvement bank account in respect of each facility.

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

2. Failure to Implement E- Procurement System

Review of the systems used by the management and controls in place revealed that they had not implemented the e-procurement module system contrary to Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 states that the conduct of e-procurement procedures for the supply of goods and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the state portal.

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

3. Non-Compliance with Kenya Quality Model for Health Guidelines

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.

Staff Requirements	4 Level standard	Number in Hospital	Deficit	%Deficit
Medical Officers	16	2	14	88
Anesthesiologists	2	4	+2	+100
General Surgeons	2	0	2	100
Gynecologists	2	1	1	50
Pediatrics	2	1	1	50
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	33	42	56
Total	101	41	60	59

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

Service	4 Level Hospital Standard	Actuals in the Hospital	Variance	Percentage (%)
Beds	150	43	107	71
Resuscitaire (2 in Labour & 1 in Theatre)	2	0	2	100
New Born Unit Incubators	5	4	1	20
New Born Unit Cots	5	8	+3	+60
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	1	1	50

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

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

4. Lack of Internal Audit Function and Audit Committee

Review of the hospital operations revealed that Management had not established an Internal Audit Unit and an Audit Committee of the Board. This was contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

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

5. Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects rendering services- medical services income of Kshs.7,740,847.50 as disclosed in Note 9 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 (1-3) of Public Finance and Management (County Government) Regulations, 2015 which states that a receiver 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.

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 has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 control, 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 those Charged with Governance

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 control 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 ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

Those charged with governance are responsible for overseeing the Hospital financial reporting process, reviewing the effectiveness of how the Management monitors

compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 Fund 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 Fund 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 control 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

09 August, 2024

Lumumba sub-county Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6(b)	1,243,643	7,526,476
In-kind contributions from the County Government	7	2,335,191	2,300,000
Transfers from other Government entities	8	5,779,118	1,334,180
		9,357,952	11,160,656
Revenue from exchange transactions			
Rendering of services- Medical Service Income	9	7,740,847.50	5,112,434
Revenue from rent of facilities	10	320,530	0
Miscellaneous Income	11	678,707	0
Revenue from exchange transactions		8,740,084.50	5,112,434
Total revenue		18,098,036.5	16,273,090
Expenses			
Medical/Clinical costs	12	6,403,704	5,615,962
Employee costs	13	1,910,768	1,792,536
Board of Management Expenses	14	89,500	136,500
Repairs and maintenance	16	61,000	633,037
General expenses	17	4,170,429	3,903,062
Total expenses		12,635,401	12,081,097
Net Surplus / (Deficit) for the year		5,462,635.5	4,191,993

The Hospital's financial statements were approved by the Board on 15/4/2024 and signed on its behalf by:



Chairman

Board of Management

CHARLES BORO



for Head of Finance
ELIZABETH ADHIAMBO
 ICPAK No: 30751



Medical Superintendent

PAMELA OLILO

MEDICAL SUPERINTENDENT
LUMUMBA SUB-COUNTY HOSPITAL
 P.O. BOX 486 - 40100
 KISUMU

Lumumba sub-county Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

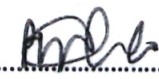
XI. Statement of Financial Position As At 30th June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	18(a)	4,909,650	2,197,978
Receivables from exchange transactions	19(a)	6,491,371	1,104,620
Inventories	20	1,433,283	
Total Current Assets		12,834,304	3,302,598
Non-current assets			
Property, plant, and equipment	21	232,486,073	231,777,356
Total Non-current Assets		232,486,073	231,777,356
Total assets		245,320,377	235,079,954
Liabilities			
Current liabilities			
Trade and other payables	22	15,840,205	7,840,503
Total Current Liabilities		15,840,205	7,840,503
Non-current liabilities			
Total Non-current liabilities		0	0
Total Liabilities		15,840,205	7,840,503
Net assets		229,480,172	
Revaluation reserve			
Accumulated surplus/Deficit		9,558,898.5	4,191,993
Capital Fund		219,921,273.5	(160,344)
Total Net Assets and Liabilities		245,320,377	2,925,486

The Hospital's financial statements were approved by the Board on 15/11/2024 and signed on its behalf by:


 Chairman
 Charles Boro
 Board of Management


 for Head of Finance
 ELIZABETH ADHIAMBO
 ICPAK No:30751


 Medical Superintendent
 PAMELA OILOLO

MEDICAL SUPERINTENDENT
LUMUMBA SUB-COUNTY HOSPITAL
P.O. BOX 486 - 40100
KISUMU

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021				
Revaluation gain	0	0	0	0
Surplus/(deficit) for the year	0	4,096,263	*0	4,096,263
Capital/Development grants	0	0	0	0
As at June 30, 2022	0	*4,096,263	*0	4,096,263
At July 1, 2022	0	4,096,263	0	4,096,263
Revaluation gain	0	0	0	0
Surplus/(deficit) for the year	0	5,462,635.5	219,921,274	225,383,909.5
Capital/Development grants	0	0	0	0
At June 30, 2023	0	9,558,898.5	219,921,274	229,480,172.5

*NB: * The previous surplus amount of kshs 4,191,993 was corrected to kshs 4,096,263 after a resolved mathematical error.*

**The previous capital fund of amount 160,344 was erroneous as it was a capital expenditure and not a capital fund. This has been adjusted in the amended Financial Statement.*

XIII. 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			
Transfers from the County Government	6(b)	1,243,643	7,526,476.25
Transfers from other Government entities	8	5,779,118	1,334,180
Rendering of services- Medical Service Income	9	7,740,847.50	5,112,434
Revenue from rent of facilities	10	320,530	0
Miscellaneous receipts (<i>pho direct deposits</i>)	11	678,707	0
Total Receipts		15,762,846	13,862,120
Payments			
Medical/Clinical costs	12	6,403,704	5,615,962
Employee costs	13	1,905,511	1,792,536
Board of Management Expenses	14	89,500	136,500
Repairs and maintenance	16	61,000	633,037
General expenses	17	4,175,686	3,903,062
Total Payments		12,635,401	12,081,097
Net cash flows from operating activities		3,127,445	
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets	21	(548,373)	(160,344)
Proceeds from the sale of property, plant, and equipment		0	0
Acquisition of investments		0	0
Net cash flows used in investing activities		(548,373)	(160,344)
Cash flows from financing activities			
Proceeds from borrowings		0	0
Repayment of borrowings		0	0
Capital grants received		0	0
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		2,579,072	

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Cash and cash equivalents as at 1 July 2022	27	2,330,578	1,671,107
Cash and cash equivalents as at 30 June 2023	27	4,909,650	2,330,578

XIV. 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						

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Transfers from the County Government	2,339,318	0	2,339,318	1,243,643	1,095,675	53.16%
Grants from donors and development partners	0	0	0	0	0	-
Transfers from other Government entities	10,200,000	0	10,200,000	5,779,118	4,420,882	56.66%
Public contributions and donations	0	0	0	0	0	-
Rendering of services- Medical Service Income	5,610,000	0	5,610,000	7,740,847.50	(2,130,847.5)	137.98%
Revenue from rent of facilities	390,000	0	390,000	320,530	69,470	82.19%
Finance / interest income	0	0	0	0	0	-
Miscellaneous receipts (pho direct deposits)	0	0	0	678,707	(678,707)	-
Total income	18,539,318	0	18,539,318	15,762,846	2,776,472	81.93%
Expenses						
Medical/Clinical costs	6,643,580	86,044	6,729,624	6,403,704	325,920	95.15%
Employee costs	4,126,000	0	4,126,000	1,905,511	2,220,489	46.18%
Remuneration of directors	314,000	0	314,000	89,500	224,500	28.50%
Repairs and maintenance	700,300	0	700,300	61,000	639,300	8.71%
Grants and subsidies	0	0	0	0	0	-
General expenses	6,221,275	178,358	6,399,633	4,175,686	2,223,947	65.25%
Finance costs	0	0	0	0	0	-
Refunds	0	0	0	0	0	-
Total expenses	18,005,155	264,402	18,269,557	12,635,401	5,634,156	69.16%
Surplus for the period	534,163	(264,402)	269,761	3,127,445	(2,157,683)	%
Capital expenditure	279,000	0	279,000	548,373	(269,373)	%

XV. Notes to the Financial Statements

General Information

Lumumba hospital is established by and derives its authority and accountability from Health Act. The hospital is wholly owned by the Kisumu County Government and is domiciled in Kisumu County in Kenya. The hospital's principal activity is health.

Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at revalued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *hospital's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *hospital*. The financial statements have been prepared in accordance with the PFM Act, and (Health Act 2017. No. 21 of 2017), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Adoption of New and Revised Standards

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

Standard	Effective date and impact
IPSAS 41: Financial Instruments	Applicable: 1st January 2023 The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Hospital's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Hospital provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Hospital.

Standard	Effective date and impact
	(b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Hospital's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023 a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.
Other improvements to IPSAS	Applicable 1st January 2023 ● <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). ● <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. ● <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Standard	Effective date and impact

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

Standard	Effective date and impact
IPSAS 43	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Hospital. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 The Standard requires: - i. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

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

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2022/2023 was approved by Board on **12/07/2022**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *hospital* recorded additional appropriations as per the financial statement of *Lumumba sub-county hospital* on the FY 22/23 budget following the Board's approval. The *hospital's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page **19** of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

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

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

The hospital classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the hospital's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an hospital has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the hospital classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the hospital manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The hospital assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The hospital recognizes a loss allowance for such losses at each reporting date, critical estimates and significant judgments made by management in determining the expected credit loss (ECL) .

Financial liabilities

Classification

The hospital classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. 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.

Notes to the Financial Statements (Continued)

l. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The hospital recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the hospital will incur in fulfilling the present obligations represented by the liability.

m. 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.

n. 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.

o. Nature and purpose of reserves

The hospital creates and maintains reserves in terms of specific requirements. *(Hospital to state the reserves maintained and appropriate policies adopted.)*

p. 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.

Notes to the Financial Statements (Continued)

q. **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.

r. **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.

s. **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.

t. **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.

Notes to the Financial Statements (Continued)

u. 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.

v. 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.

w. Comparative figures

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

x. 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.

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

Notes to Financial Statements Continued

6a Transfers from the County Government

Description	2022/2023	2021/2022
	KShs	KShs
Unconditional grants		
Operational grant	0	7,526,476
Level 5 grants	0	
Unconditional development grants	0	
Other grants		
Conditional grants		
User fee forgone	0	
Transforming health services for Universal care project (THUCP)	0	
DANIDA	0	
Wards Development grant	0	
Paediatric block grant	0	
Administration block grant	0	
Laboratory grant	0	
Total government grants and subsidies	0	7,526,476

6b Transfers from The County Government

Name of the Hospital sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Kisumu County Government	1,243,643				
Total	1,243,643				

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government. The details of the reconciliation have been included under appendix xxx).

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2022/2023	2021/2022
	KShs	KShs
Salaries and wages	0	0
Medical supplies-Drawings Rights (KEMSA)	0	0
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	2,335,190.63	2,300,000
Utility bills	0	0
Total grants in kind	2,335,190.63	2,300,000

8. Transfers From Other Government Entities

Description	2022/2023	2021/2022
	KShs	KShs
Transfer from National Government (Ministry of Health)	0	0
Transfer from National Hospital (NHIF)	4,771,870	*1,334,180
Transfer from Marwa Institute	1,007,248	0
Total Transfers	5,779,118	*1,334,180

*NB: *The prior year's amount of kshs 1,334,180 was corrected to Kshs 1,238,450.*

Notes to Financial Statements Continued

9. Rendering of Services-Medical Service Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Pharmaceuticals	1,033,497.50	819,821
Non-Pharmaceuticals	0	0
Laboratory	3,175,206	2,471,340
Radiology	1,234,600	511,303
Orthopaedic and Trauma Technology	0	7400
Theatre	46,500	1,970
Accident and Emergency Service	0	0
Anaesthesia Service	0	0
Ear Nose and Throat service	550	0
Nutrition service	0	0
Cancer centre service	0	0
Dental services	2,100	400
Reproductive health	1,950	0
Paediatrics services	7,700	0
Farewell home services	0	0
Other medical services income (<i>specify</i>)	2,238,744	1,300,200
Total revenue from the rendering of services	7,740,847.50	5,112,434

Notes to the Financial Statements (Continued)

10. Revenue From Rent of Facilities

Description	2022/2023	2021/2022
	Kshs	Kshs
Residential property	320,530	0
Commercial property	0	0
Total Revenue from rent of facilities	320,530	0

11. Miscellaneous Income

Description	2022/2023	2021/2022
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender	0	0
Services concession income	0	0
Sale of goods (water, publications, containers etc)	0	0
Write backs (Deposits, payments in advance etc)	0	0
Bad debts recovered	0	0
<i>Others (pho direct deposit)</i>	678,707	0
Total Miscellaneous income	678,707	0

Notes to the Financial Statements (Continued)

12. Medical/ Clinical Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Dental costs/ materials		
Laboratory chemicals and reagents	1,015,400	489,400
Public health activities	0	0
Food and Ration	2,361,410	2,159,367
Uniform, clothing, and linen	0	0
Dressing and non-pharmaceuticals	431,800	676,633
Pharmaceutical supplies	2,045,716	1,627,608
Health information stationery	372,831	385,764
Reproductive health materials	0	0
Sanitary and cleansing Materials	63,530	209,190
Purchase of Medical gases	0	0
X-Ray/Radiology supplies	113,017	68,000
Other medical related clinical costs (<i>specify</i>)	0	0
Total medical/ clinical costs	6,403,704	5,615,962

13. Employee Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries, wages, and allowances	1,788,741	1,589,510
Contributions to pension schemes	49,220	93,026
Service gratuity	0	0
Performance and other bonuses	0	0
Staff medical expenses and Insurance cover	67,550	110,000
Group personal accident insurance and WIBA	0	0
Social contribution	0	0
Other employee costs (<i>payee</i>)	5,257	0
Employee costs	1,910,768	1,792,536

Notes to the Financial Statements (Continued)

14 Board of Management Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Chairman's Honoraria	0	0
Sitting allowance	89,500	136,500
Mileage	0	0
Insurance expenses	0	0
Induction and training	0	0
Travel and accommodation allowance	0	0
Airtime allowances	0	0
Total	89,500	136,500

15 Depreciation and Amortization Expense

Description	2022/2023	2021/2022
	Kshs	Kshs
Property, plant and equipment	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	0	0

16 Repairs And Maintenance

Description	2022/2023	2021/2022
	Kshs	Kshs
Property- Buildings	61,000	562,187
Medical equipment	0	70,850
Office equipment	0	0
Furniture and fittings	0	0
Computers and accessories	0	0
Motor vehicle expenses	0	0
Maintenance of civil works	0	0
Total repairs and maintenance	61,000	633,037

17. General Expenses

Description	2022/2023	Insert Comparative FY
	Kshs	Kshs
Advertising and publicity expenses	0	0
Catering expenses	0	0
Waste management expenses	0	0
Insecticides and rodenticides	0	0
Audit fees	0	0
Bank charges	25,750	14,570
Conferences and delegations	0	0
Consultancy fees	0	0
Contracted services	1,213,700	1,736,885
Electricity expenses	1,024,509	548,752
Fuel for production	66,000	0
Insurance	0	0
Research and development expenses	0	0
Travel and accommodation allowance	48,000	0
Legal expenses	0	0
Licenses and permits	0	0
Courier and postal services	0	0
Printing and stationery	520,858	718,235
Tax charges	45,157	0
Rent expenses	0	0
Water and sewerage costs	1,072,145	600,000
Telephone and mobile phone services	115,000	90,000
Internet expenses	0	0
Staff training and development	0	0
Subscriptions to professional bodies	0	0
Subscriptions to newspapers periodical, magazines, and gazette notices	0	0
Fuel for transport	39,310	194,620
Parking charges	0	0
Total General Expenses	4,170,429	3,903,062

Lumumba sub-county Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

18a. Cash and Cash Equivalents

Description	2022/2023	2021/2022
	KShs	KShs
Current accounts	4,909,650	2,197,978
On - call deposits	0	0
Fixed deposits accounts	0	0
Cash in hand	0	0
Others(<i>specify</i>)- Mobile money	0	0
Total cash and cash equivalents	4,909,650	2,197,978

NB: The prior years cash & cash equivalents amounting to kshs 2,197,978 was corrected to kshs 2,330,578.

Notes to the Financial Statements (Continued)

18 (b). Detailed Analysis of Cash and Cash Equivalents

Description		2022/2023	2021/2022
Financial institution	Account number	KShs	KShs
a) Current account			
Co-operative Bank of Kenya	01141495252200	4,909,650	2,197,978
Sub- total		4,909,650	2,197,978
b) On - call deposits			
Kenya Commercial bank			
Equity Bank – etc			
Sub- total			
c) Fixed deposits account			
Bank Name			
Sub- total			
d) Others(specify)			
cash in hand			
Mobile money- Mpesa, Airtel money			
Sub- total			
Grand total		4,909,650	2,197,978

NB: The prior years cash & cash equivalents amounting to kshs 2,197,978 corrected to kshs 2,330,578.

19a. Receivables from Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Medical services receivables (Nhif& Marwa)	6,491,371	1,104,620
Rent receivables		
Other exchange debtors		
Less: impairment allowance		
Total receivables	6,491,371	1,104,620

19 (b) Analysis of Receivables from Exchange Transactions

Description	2022/2023		2021/2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	5,386,751	83 %		%
Between 1- 2 years	1,104,620	17%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)	6,491,371	100 %		%

20. Inventories

Description	2022/2023	2021/2022
	KShs	KShs
Pharmaceutical supplies	620,287	0
Maintenance supplies	0	0
Food supplies	36,510	0
NON-PHARM SUPPLIES	776,486	0
General supplies	0	0
Less: provision for impairment of stocks	0	0
Total	1,433,283	0

Lumumba sub-county Hospital (Kisumu County Government)
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Notes to the Financial Statements (Continued)

21. 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)		200,569,900				31,207,456		231,777,356
Additions					122,844	37,500		160,344
Disposals								
Transfers/adjustments								
At 30th Jun 2022		200,569,900			122,844	31,244,956		231,937,700
At 1 July 2022 (current year)		200,569,900			122,844	31,244,956		231,937,700
Additions				176,400	195,077	176,896		548,373
Disposals								
Transfer/adjustments								
At 30th Jun 2023		200,569,900		176,400	317,921	31,421,852		232,486,073
Depreciation and impairment								
At 1 July 20XX (previous year)								
Depreciation for the year								
Disposals								

Lumumba sub-county Hospital (Kisumu County Government)
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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Impairment								
At 30 June 20XX								
At July 20XX (current year)								
Depreciation								
Disposals								
Impairment								
Transfer/adjustment								
At 30 th June 20XX								
Net book values								
At 30 th Jun 2022 (previous)		200,569,900		176,400	122,844	31,244,956		231,937,700
At 30 th Jun 2023 (current)		200,569,900		176,400	317,921	31,421,852		232,486,073

The value of ppe is at cost the elected team still negotiating on depreciation policy of the hospital

Notes to the Financial Statements (Continued)

22. Trade and other Payables

Description	2022/2023		2021/2022	
	KShs		KShs	
Trade payables	13,404,405		7,095,496	
Employee dues	2,310,000		700,007	
Third-party payments (<i>e.g. unremitted payroll deductions</i>)	125,800		45,000	
Audit fee				
Doctors' fee				
Total trade and other payables	15,840,205		7,840,503	
Ageing analysis:	Current FY	% of the Total	Compa rative FY	% of the total
Under one year	8,794,366	55.5%		%
1-2 years	6,339,704	40.1%		%
2-3 years	706,135	4.4 %		%
Over 3 years				
Total	15,840,205	100%		%

Notes to the Financial Statements (Continued)

Financial Risk Management

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

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

(i) Credit risk

The hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 (previous year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2023 (current year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				

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Notes to the Financial Statements (Continued)

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 hospital has significant concentration of credit risk on amounts due from xxxx. 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 hospital's short, medium and long-term funding and liquidity management requirements. The hospital manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 20xx				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

Notes to the Financial Statements (Continued)

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the 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 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 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:

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 20xx			
Financial assets (investments, cash, debtors)			
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.

Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 20xx			
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.

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
20XX (previous year)			
Euro	10%		
USD	10%		
20XX (current year)			
Euro	10%		
USD	10%		

b) 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.

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Notes to the Financial Statements (Continued)

Sensitivity analysis

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

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

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:

Description	Current Period	Comparative Period
	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		

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Notes to the Financial Statements (Continued)

Related Party Balances

Nature of related party relationships

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

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

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

Description	2022/2023	2021/2022
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx		
Sales of services to xxx		
Total		
b) Grants from the Government		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		

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Description	2022/2023	2021/2022
	Kshs	Kshs
Total		
d) Key management compensation		
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
Total		

Segment Information

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an hospital to present segmental information of each geographic region or department to enable users understand the hospital's performance and allocation of resources to different segments)

Contingent Liabilities

Contingent liabilities	2022/2023	2021/2022
	Kshs	Kshs
Court case xxx against the company		
Bank guarantees in favour of subsidiary		
Total		

(Give details)

Capital Commitments

Capital Commitments	2022/2023	2021/2022
	Kshs	Kshs
Authorised For		
Authorised And Contracted For		
Total		

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

Events after the Reporting Period

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

Ultimate and Holding Hospital

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

Currency

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

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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)
1.0	Non-compliance with the prescribed financial reporting template	Being the first time using the template, the management had no vast knowledge on its contents.	Resolved	Done
2.0	Inaccuracies in the financial statement	The management endeavours to address the variance in the current year adjustment under statement of financial position.	Resolved	Done
2.1	Variance in the transfers from other county government entities	The management endeavours to address the variance in the current year adjustment under statement of financial position.	Resolved	Done
2.2	Inaccuracies in the statement of financial position	The management were still in the learning process.	Resolved	Done
2.3	Inaccuracies in the statement of changes in Net assets	The management endeavours to address the variance in the current year adjustment under statement of financial position.	Resolved	Done

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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)
2.4	Inaccuracies in the Inaccuracies in the statement of cashflows	The management endeavours to address the variance in the current year adjustment under statement of financial position.	Resolved	Done
2.5	Unbalanced trial balance	This was not prepared due to capacity issue. However, being the first year of adoption of the financial reporting, my officer was still in the learning process.	Resolved	Done
2.6	Unreconciled variances between the statements and supporting schedules or ledger	The management wishes to note that it uses the manual reporting tool and does not have a computerized accounting software. This resulted in the omission of records	Resolved	Done
2.7	Variances between NHIF receipts and Bank Statements	The matter arose due to collection of claims and receiving less in contradiction with the invoices claimed.	Resolved	Done
3.0	Inaccuracies in the trade and other payables	This was due to the facility not having a computerized accounting system which led to alterations of values from using manual accounting system.	Resolved	Done
4.0	Unsupported rendering of services – Medical service income	The facility uses a FUNSOFT software system whereby there is automated receipt	Resolved	Done

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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)
		generation which goes with the patient.		
5.0	Inaccuracies in the cash and cash equivalents	This was due to late generation of the bank certificate from the bank because of the process that have to be followed in order to generate.	Resolved	Done
6.0	Failure to open Facility improvement fund	The management is issued guidance from the Chief officer who will say the date of opening the FIF account.	Not resolved	Next financial year
7.0	Unsupported receivables from exchange transactions	This was due to not having access to download the schedules from the websites.	Resolved	Done
8.0	Inaccuracies in the property, plant and equipment	The management endeavours to address the variance in the current year adjustment under statement of financial position.	Resolved	Done
8.1	Inaccuracies in the property, plant and equipment	The management endeavours to address the variance in the current year adjustment under statement of financial position.	Not resolved	Next financial year
8.2	Lack of ownership documents for land and buildings	The management wishes to note that some of the documents in relation have been found.	Not resolved	Next financial year
8.3	Lack of valuation reports	The management wishes to note that some of the documents	Not resolved	Next financial year

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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)
	on land and buildings	in relation have been found.		
8.4	Lack of asset register	The management has tried to come up with an asset register though still incomplete due to not having access to some documents.	Resolved	Done
8.5	Undisclosed furniture, fittings and office equipment	Management has appointed an ADHOC committee to map out the facility's assets.	Not resolved	Next financial year
9.0	Inaccuracies in the inventories	The management endeavours to address such omission in the next financial statement to reflect true and fair value.	Resolved	Done
10.0	Inaccuracies in the statement of comparison of budget and actual amounts	The management endeavours to address such omission in the next financial statement to reflect true and fair value.	Resolved	Done
11.0	Lack of statue guiding existence and operations of the hospital	The management will seek guidance from the county executive member of health on the way forward.	Not resolved	Next financial year
12.0	Non – provision of procurement of goods and services related to clinical or medical expense	The tender documents were misplaced during the time of audit but had provided the same for audit review.	Resolved	Done
13.0	Failure to implement e-procurement system	The management will seek guidance from the county executive	Not resolved	Next financial year

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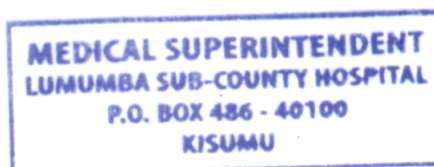
Reference No. on the external audit Report	Issue/ Observation from Auditor	Management comments	Status (Resolved/ Not Resolved)	Timeframe (If not done within this year, the issue is to be resolved)
		member of health on the way forward.		
14.0	Non-compliance with Kenya Quality Model for health policy guidelines	The management will seek guidance from the county executive member of health on the way forward.	Not resolved	Next financial year
15.0	Failure to establish audit committee and operations of internal Audit unit	Currently, we do not have an audit committee but rely on the internal audit function of the county executive which are done frequently.	Not resolved	Next financial year
16.0	Ineffective governance by the board of management	The facility has a duly appointed team by the county executive member of health through gazette notice. The same board is now conducting their meetings as stipulated in their board workplan.	Resolved	Done

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 for the implementation of each issue.
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

PAMELA M OLILO

Accounting Officer



Appendix II: Projects Implemented by The 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						
2						

Status of Projects completion

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

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

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Appendix III: Inter-Hospital Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary hospital]

[Insert Address]

The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 20XX as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [insert name of beneficiary hospital] as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023				Amount Received by [beneficiary hospital] (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

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

Head of Accounts Department of the beneficiary hospital:

Name ALFRED ODHIAMBO Sign Alfred Date 15/04/2024

FOR ELIZABETH AKUKU

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Appendix IV Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (K.shs.)	Comments