

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

MASOGO SUB-COUNTY LEVEL 4 HOSPITAL

FOR THE YEAR ENDED

30 JUNE, 2022

COUNTY GOVERNMENT OF KISUMU

DATE	19/09/2024
TABLED BY	ML
COMMITTEE	—
DEPARTMENT	Cawlyne Clary

Issued 30th June 2022



MASOGO SUBCOUNTY HOSPITAL
(Kisumu county Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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



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Masogo Subcounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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I. Key Entity Information and Management

(a) Background information

Nyangande Subcounty Hospital is a level IV hospital established under gazette notice number xxx and is domiciled in Kisumu County under the Health & Sanitation Department. The hospital is governed by a Board of Management.

(b) Principal Activities

Mission:

To transform the livelihood of the people of Kisumu County through responsive and sustainable technologically-driven evidence -based and client centred health system for accelerated attainment of highest standards of health

Vision

Adynamic, excellent, and globally competitive county health services, that contribute to a healthy and productive population

V Management

Ref	Directors	Role
1.	Peter Apunda	Chairman of the Board
2.	Julius Okal	Financial
3.	Julius Rao	HCS D
4.	Peter Richard	Faith Based
5.	Phelesia Akoth	Women Rep
6.	Ondugi Randa	Youth
7.	George Ambiche	Professional
8.	Geoffrey Ocheche	Secretary (medical Superintendent)

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Robert Orina
2.	Administrator	Julius Kauma
3.	Pharm tech,	Timon Ogal

(d) Fiduciary Oversight Arrangements

- Audit committee; this consist of internal auditors attached to the department of health who reviews the financial documents and give the reports thereon.

(e) Entity Headquarter

P.O. Box 40100- 15
Miwani , KENYA

(f) Entity Contacts

Telephone: (+254)723837958
E-mail: kisumucdh@gmail.com
Website: www.go.ke

(g) Entity Bankers

K.C.B

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

(j) County Attorney

P.O. Box. 40100-721
Kisumu, Kenya

II. The Board of Management

Ref	Directors	Role
9.	Vitalis Okuta	Chairman
10.	James Obera Wamba	Financial Management
11.	Marikus Abiero Obonyo	Professional Organisation
12.	Dorcas Akoth Okoth	Women Rep
13.	Mary Awuor Rakiro	Member
14.	Jedida Awuor	HCSD
15.	Geoffrey Omollo	Youth
16.	Geoffrey Ocheche	MedSupt

III. Management Team

Designation	Name
Medical Superintendent	Geoffrey Ocheche
Nurse Incharge	Sarah Rodah
Pharm tech,	Beatrice Mukunzi

IV. Chairman's Statement

The F/Y 2021/2022 was a year where a number activities were undertaken including having board meetings to deliberate on both development and recurrent issues. A lot of progress has been witnessed more so in the area of infrastructure development, increase in staff capacity and even in collection due to introduction of Facility Improve Fund act.

Name: *Vincent Oku'a*

Sign.....*Vincent Oku'a*.....

V. Report of medical Superintendent

BACKGROUND

Masogo Sub-County Hospital has been in existence for more than a century, having been established in the early 2000s to cater for the health needs of the workers at the then port town of Kisumu. Since then, it has grown to become the referral hospital serving various Sub-Counties within its locality. The hospital's revenue is derived from Facility improvement funds (FIF) and monies appropriated from the county Treasury.

The total expenditures during the period amounted to Kshs **4,718,842** representing 100% total approved budget. Top drivers of the budget were medical drugs, Staff remunerations, non-pharmaceuticals, patient's food, Laboratory, Contracted Services among others. High Utilization rate realized

Revenue

The HMB and hospital management realized great achievement in terms of revenue generation, which has grown compared to the previous financial year 2020/2021, infrastructural development.

Challenges

Masogo based on the population that its serves is faced with a lot of challenges ranging from Global issues, financial constraints, inadequate human resource, environmental challenges, infrastructural i.e. dilapidated buildings, and technological growth that the hospital have to adopt in order to succeed in the healthcare service delivery.

Looking forward

Modern Technology transformation is one of the pillars of the Strategic Plan. The hospital has embarked on this journey to increase operational efficiencies, enhance customer experience through consistent and patient-focused service delivery and informed decision-making aided by business intelligence. Crucial to this will be the implementation of the key operational systems, the Hospital Information Management System (HMIS)).

Appreciation

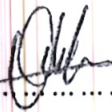
APPRECIATION

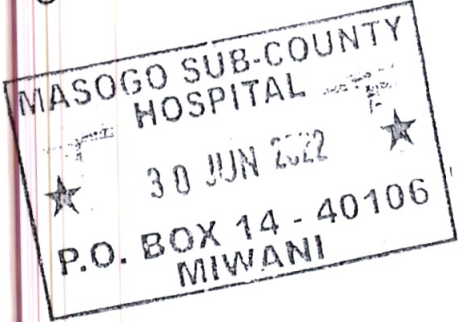
I take this opportunity to express my sincere gratitude and appreciation to the Ministry of health, county government of Kisumu, development partners, stakeholders, management and staff for their continued support, which made us, achieves these results.

I look forward to your continued support in the year 2022/2023.

Geoffrey Ocheche- Medsupt

Masogo Subcounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Sign 



VI. Statement Of Performance Against Predetermined Objectives

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

Masogo has 5 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- FY 2022. These strategic pillars/ themes/ issues are as follows;

1. Clinical services and products
2. Healthcare financing and sustainability
3. Quality improvement
4. Human resource development
5. Infrastructure development

develops its annual work plans based on the above 5 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 2021/2022 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Clinical Services Delivery and Infrastructural development	To Establish and enhance good clinical governance	Hospital Drug formulary in place <input type="checkbox"/> No of stock-out tracer drugs <input type="checkbox"/> No of prescription reviewed <input type="checkbox"/> Updated SOPs	Rational use of Medications <input type="checkbox"/> Rational use of blood and blood products <input type="checkbox"/> Provision of Health products <input type="checkbox"/> Monthly Clinical Audits and mortality Meetings	Hospital Drug formulary in place. <input type="checkbox"/> %reduction in morbidity and mortality
Healthcare Financing and Sustainability	To increase revenue Generation	Revenue Reports <input type="checkbox"/> %increase in revenue	Diversify Revenue Streams <input type="checkbox"/> Review User Fee Charges	Revenue improved compared to previous year <input type="checkbox"/> Review of user

			<input type="checkbox"/> Increase Customer Base <input type="checkbox"/> Develop Concept papers and proposals to development partners	fees continuous and on progress
--	--	--	--	---------------------------------

VII. Corporate Governance Statement

Masogo Board of Management is responsible for the corporate governance of the Hospital and is accountable to Ministry of Health, County department of health Kisumu County for ensuring that the Hospital complies with the laws and the highest standards of corporate governance and business ethics. The Board members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

a) Board of Management

The Board of Management is composed of non-executive members elected by the governor of Kisumu County. The Appointed Board of Management to be held accountable and responsible for the efficient and effective governance of the hospital. Members of the Board have a range of skills and experience and each brings an independent judgment and considerable knowledge to the Board’s discussions. The board term is two years renewal subject to performance contract.

Summarized below are the key roles and responsibilities of the Board:

- Approve and adopt strategic plans and annual budgets, set objectives and review key risk and performance areas.
- Resource Mobilization
- Determine overall policies and processes to ensure integrity of the Hospital’s management of risk and internal contracts; and
- Review at regular meetings Management’s performance against approved budget.

The full Board meets at least 4 times a year and the Chairperson has bi-weekly meetings/Consultations with the Medsupt. The Board members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Medsupt. The Board nonetheless retains responsibility for establishing and maintaining the Hospital’s overall internal control, financial, operational and compliance framework

b) Board Meetings

The Board as per the Annual work plan meets quarterly or additionally when necessary to consider matters of overall control of the hospital. The Board agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within stipulated timelines. The Main Board held 10 meetings attended by selected members.

VIII. Management Discussion and Analysis

The considerations in restructuring an organization are effective coordination of roles and responsibilities to avoid overlap and duplication of roles 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 essential skills and expertise in the organization. The overall leadership and governance of Masogo will be vested in the Hospital Management Board. The Board members are appointed in accordance with the policies of the County Government of Kisumu. The day-to-day management of the hospital is vested on the Medsupt.

Financial performance that includes

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	3,187,335	xxx
In-kind contributions from the County Government	7	0	xxx
Grants from donors and development partners	8	0	
Transfers from other Government entities	9	540,220	
Public contributions and donations	10	0	
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	383,500	
Revenue from rent of facilities	12	0	
Finance /Interest Income	13	0	
Other income (<i>specify</i>)	14	0	
Revenue from exchange transactions			
Total revenue		4,111,055	
Expenses			
Medical/Clinical costs	15	2,490,184	
Employee costs	16	502,000	
Board of Management Expenses	17	105,000	
Depreciation and amortization expense	18	0	
Repairs and maintenance	19	712,097	

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Grants and subsidies	20	0	
General expenses	21	518,000	
Finance costs	22	0	
Total expenses		4,327,281	
Other gains/(losses)			
Gain on disposal of non-Current assets	23	0	
Unrealized gain on fair value of investments	24	0	
Medical services contracts Gains/Losses	25	0	
Impairment loss	26	0	
Gain on foreign exchange transactions			
Total other gains/(losses)			
Net Surplus for the year		(216,226)	
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

IX. Environmental And Sustainability Reporting

Environmental performance

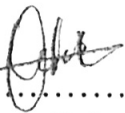
Nyan'ande is using the National Health Care Waste Management policy guideline which is guiding us in the management of the waste that we generate in the organization and we have a copy of the policy. Successes

- We are having colour-coded bins [receptacles] at all generation points in the departments.
- There are segregation posters alongside the receptacles to guide in the segregation of waste.
- We have waste treatment equipment within the organization that helps us treat our waste and we only dispose off non-contaminated waste to the dumping site.

Employee welfare

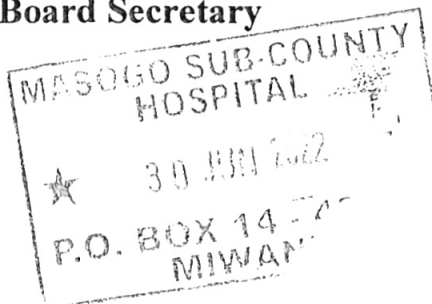
Hiring process involves bringing new employees on board. This is the mandate of the County Public Service Board reference made from the Public Service Commission Human Resource Manual and procedures May 2016, mentioned in section B which provides the rules governing recruitment and appointment of new officers.

Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. This is done by sponsorship and supporting employees to attend short courses offered by the government institutions.



.....
Geoffrey Ocheche

Board Secretary



X. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2022, which show the state of the *hospital's* affairs.

Principal activities

The principal activities of the entity are to provide quality and affordable preventive, promotive, rehabilitative and curative health services in both east and central Africa.

Results

The results of the entity for the year ended June 30 are set out on page 1 to 9 Board of Management The members of the Board who served during the year are shown on page xii.

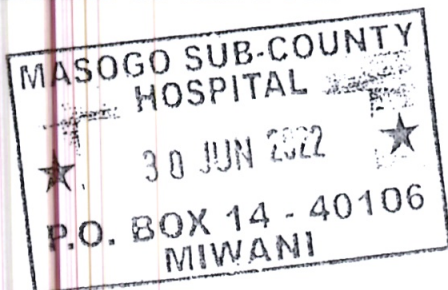
Auditors

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

By Order of the Board



Geoffrey Ocheche
SECRETARY OF THE BOARD



XI. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of that *Nyang'ande*, which give a true and fair view of the state of affairs of the *Masogo* at the end of the financial year 2021/2022 and the operating results of the for that year/period. The Board of Management is also required to ensure that the *Masogo* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Nyang'ande*. The council members are also responsible for safeguarding the assets of the *Nyang'ande*.

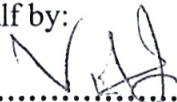
The Board of Management is responsible for the preparation and presentation of the *Masogo* financial statements, which give a true and fair view of the state of affairs of the *Masogo* for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (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 *Nyang'ande*; (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 *Masogo* 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. The Board members are of the opinion that the *Masogo* financial statements give a true and fair view of the state of *Masogo* transactions during the financial year ended June 30, 2022, and of the *Masogo* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *Nyang'ande*, which have been relied upon in the preparation of the *Masogo* financial statements as well as the adequacy of the systems of internal financial control.

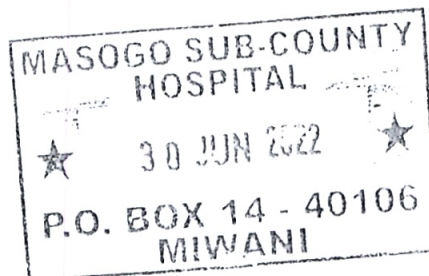
Nothing has come to the attention of the Board of management to indicate that the *Masogo* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 30/June 2022 and signed on its behalf by:


.....
Name: George Alego *VIPAS Okoye*
Chairperson
Board of Management


.....
Name: Geoffrey Ocheche
Accounting Officer



XIII. Statement of Financial Performance for The Year Ended 30 June 2022

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	3,187,335	xxx
In-kind contributions from the County Government	7	0	xxx
Grants from donors and development partners	8	0	
Transfers from other Government entities	9	540,220	
Public contributions and donations	10	0	
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	383,500	
Revenue from rent of facilities	12	0	
Finance /Interest Income	13	0	
Other income (<i>specify</i>)	14	0	
Revenue from exchange transactions			
Total revenue		4,111,055	
Expenses			
Medical/Clinical costs	15	2,490,184	
Employee costs	16	502,000	
Board of Management Expenses	17	105,000	
Depreciation and amortization expense	18	0	
Repairs and maintenance	19	712,097	
Grants and subsidies	20	0	
General expenses	21	518,000	
Finance costs	22	0	
Total expenses		4,327,281	
Other gains/(losses)			
Gain on disposal of non-Current assets	23	0	

REPUBLIC OF KENYA



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MASOGO SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - 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 controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Masogo Sub-county Level 4 Hospital Level - County Government of Kisumu set out on pages 1 to 50, which comprise

of the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Masogo Sub-County Hospital - County Government of Kisumu as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements submitted for audit revealed the following inaccuracies:

- i. The statement of comparison of budget and actual amounts has not disclosed the budgeted and actual revenue and expenditure amounts.
- ii. Report of medical superintendent indicates that expenditure during the period amounted to Kshs.4,718,842 which varies with the amount disclosed in the statement of financial performance of Kshs.4,327,281.
- iii. The statement of changes in net assets and the statement of financial position have not disclosed the deficit for year of Kshs.216,266 reflected in the statement of financial performance.
- iv. The statement of financial position is not balanced. The statement is also incomplete as the total assets, total liabilities and total net assets and liabilities balances have not been disclosed.

There were variances between financial statement ledgers as detailed in the table below.

Item	Financial Statement Amount (Kshs)	Ledger Amount (Kshs)	Variance (Kshs)
Transfer from County Government	3,817,324	3,187,335	629,989
Repair and Maintenance	712,097	286,470	425,627
General Expenses	518,000	540,500	22,500
Board Expenses	105,000	100,000	(5,000)

In the circumstances, the accuracy of the financial statement could not be confirmed.

2. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.438,480 as disclosed in Note 27 to the financial statements. However, Management did not maintain a cashbook and monthly bank reconciliation statements. Further, the balance varies with the closing cash and cash equivalents balance reflected in the statement of cashflows of Kshs.222,354 resulting to a variance of Kshs.216,226.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.438,480 could not be confirmed correct.

3. Understatement of Revenue from Medical Service Income

The statement of financial performance reflects revenue from rendering of services - medical service income amount of Kshs.383,500. However, review of records revealed that the facility had collected amounts totalling Kshs.510,310 resulting to a variance of Kshs.126,810 that was not unaccounted for. Further, the corresponding Note 11 to the financial statements does not disclose the breakdown for medical income of Kshs.383,500.

In the circumstances the accuracy of medical services income of Kshs.383,500 could not be confirmed.

4. Unsupported Inventories

The statement of financial position reflects inventories balance of Kshs.2,755,281 as disclosed in Note 30 to the financial statements. However, no supporting documents were provided for audit review and there was no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2022.

In the circumstances the accuracy and completeness of Inventory balances of Kshs.2,755,281 could not be confirmed.

5. Understatement of Employee Costs

The statement of financial performance reflects employee costs amounting to Kshs.502,000 and as disclosed in Note 16 to the financial statements. However, the ledger provided reflects a total of Kshs. 540,000 resulting to a variance of Kshs.38,000. Further, the amount excludes contribution in kind in respect of salaries, wages and allowances paid to Hospital staff by the County Government of Kisumu.

In the circumstances, the accuracy and completeness of employee cost of Kshs.502,000 could not be confirmed.

6. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil property, plant and equipment balance. However, review of Hospital records and physical verification revealed various assets

including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit. In addition, review of the asset register provided for audit revealed the register was incomplete, as some assets were missing from the register and the asset register did not include cost of assets, depreciation charge, net book values, dates of purchase and unique identification of the assets.

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

7. Variances in Revenue from Rendering Services

The statement of the financial performance reflects Kshs.540,220 in respect to transfers from other government entities as disclosed in Note 9 to the financial statements. Included in the amount is the National Health Insurance Fund reimbursement of Kshs.340,230. However, the National Health Insurance Fund records revealed an amount of Kshs.1,703,250 was paid to the hospital resulting to an unexplained variance of Kshs.1,363,020.

In the circumstances, the accuracy and completeness of revenue from rendering services of Kshs.540,220 could not be confirmed.

8. Variances in Receivables from Exchange Transactions

The statement of financial position reflects Nil receivables from exchange transactions balance while the ledger provided reflects dues from National Health Insurance Fund (NHIF) of Kshs.120,830 resulting to unexplained variance of Kshs.120,830. Further, records from NHIF indicate a balance of Kshs.93,931.

In the circumstances, the accuracy, completeness of the Nil trade receivables balance from exchange transactions could not be confirmed.

9. Unsupported Procurement of Goods and Services

The statement of financial performance reflects medical costs of Kshs.2,490,184 as disclosed in Note 15 to the financial statements. However, the supporting ledger provided reflects Kshs.2,465,402 resulting in unreconciled variance of Kshs.24,782. In addition, supporting procurement documents for the expenditure were not provided for audit.

In the circumstances, the accuracy and completeness of medical costs of Kshs.2,490,184 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Conformity with the Prescribed Reporting Format

Review of the financial statements submitted for audit revealed the following errors and omissions in presentation and disclosures contrary to the requirements of the reporting guidelines and template prescribed by Public Sector Accounting Standards Board (PSASB):

- i. The Background information and various sections of the annual reports such as environmental performance and statement of Board of Management's responsibility refer to the reports relating to Nyang'ande instead of Masogo Sub County Level 4 hospital.
- ii. Background information does not indicate the Gazette Notice under which the Hospital was established, the entity Headquarters where the hospital is situated and organs involved in management.
- iii. The passport size photos, key profession qualifications, academic qualifications and work experience have not been included in the Board of Management information. The information also does not classify directors as independent or executive director and neither does it indicate which committee of the Board the director chairs as required by the PSASB reporting template. In addition, information on key Management Team on page iv lacks the passport size photos and profession/academic qualifications.
- iv. Chairman's Statement on page viii has not given highlights of the key activities during the year, successes consolidated, challenges being faced, and the way forward or future outlook for the Hospital.
- v. The statement of performance against predetermined objectives has indicated that the Hospital has five (5) strategic pillars but has only provided objectives, key performance indicators and activities/achievements for only two (2).

- vi. The Corporate governance statement indicates that a total of ten (10) Board of Management meetings were held during the financial year. However, the attendance to those meetings by members, succession plan, existence of a Board charter, process of appointment and removal of Board members, roles and functions of the Board, Board and member performance, conflict of interest, board remuneration, ethics, and conduct as well as governance audit have not been disclosed.
- vii. The statement of financial performance for the year ended 30 June, 2022 is supposed to start from page 1 numerical but it starts from roman xviii.
- viii The Management discussion and analysis on page xii does not include details on Clinical (or operational) performance as per the requirement of the template.

In the circumstances, the financial statements do not comply with the prescribed template and management was in breach of the law.

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

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by ninety-one (91) staff requirements or 91% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage (%)
Medical Officers	16	0	16	100
Anaesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Paediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	9	66	88
Total	101	9	92	91

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage (%)
Beds	150			
Resuscitaire (2 in Labour & 1 in Theatre)	2	0	2	100

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage (%)
New Born Unit Incubators	5	2	3	60
New Born Unit Cots	5	1	4	80
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional operational theatres-Maternity & General	2	0	2	100

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

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

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, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and governance sections of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Operational Policies

During the year under review, it was observed that Management did not have an approved risk management policy to provide a framework for the management of risk and also to increase overall awareness of risk throughout the institution. In addition, the

Hospital does not have an approved finance policy to guide in its financial and administrative functions.

In the circumstances, the effectiveness of the Hospital's risk management and governance systems could not be confirmed.

2. Lack of Audit Committee and Internal Audit Unit

During the year under review, Management had not established an internal audit department and there was no audit committee. Further, no evidence was provided to confirm that internal audit reviews were carried out. This is contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an audit committee.

In the circumstances, the Hospital Management did not benefit from reviews on the effectiveness of the financial and non-financial performance management systems

3. Internal Control Weaknesses in Transaction Processing

Review of the Hospital's operations and records revealed that some receipts were in cash and there was no reconciliation between the Mpesa collections and the bank statements and the cashier doubles as the billing clerk. In addition, payment vouchers were not pre-numbered, the cash book did not include payment voucher numbers and the Hospital has no systematic filing system for both financial and procurement records.

In the circumstances, the existence of effective internal controls over revenue collection and expenditure could not be confirmed.

4. Failure to Automate Hospital Process

Review of the Hospital processes and physical inspection revealed that the Hospital had not automated its operations and records were manually stored making them susceptible to damage and loss. In addition, billing, drugs receipt and issuance including the accounting processes and financial records were manual.

In the circumstances, non-automation of records and process exposes their financial information to risk of inaccuracies, inefficiencies, manipulations and loss.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 July, 2024

Masogo Subcounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022


Unrealized gain on fair value of investments	24	0	
Medical services contracts Gains/Losses	25	0	
Impairment loss	26	0	
Gain on foreign exchange transactions			
Total other gains/(losses)			
Net Surplus for the year		(216,226)	
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

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

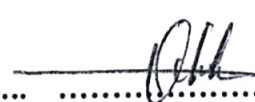
The Hospital's financial statements were approved by the Board on 27 June 2022 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:



Medical Superintendent

MASOGO SUB-COUNTY
HOSPITAL
★ 30 JUN 2022 ★
P.O. BOX 14 - 40106
MIWANI

XIV. Statement of Financial Position as of 30th June 2022

Description	Notes	2021/22 Kshs	2020/21 Kshs
Assets			
Current assets			
Cash and cash equivalents	27	438,480	
Receivables from exchange transactions	28		
Receivables from non-exchange transactions	29		
Inventories	30	2,755,281	
Total Current Assets			
Non-current assets			
Property, plant, and equipment	31		
Intangible assets	32		
Investment property	33		
Total Non-current Assets			
Total assets			
Liabilities			
Current liabilities			
Trade and other payables	34		
Refundable deposits from customers/Patients	35		
Provisions	36		
Finance lease obligation	37		
Current portion of deferred income	38		
Current portion of borrowings	39		
Total Current Liabilities			
Non-current liabilities			
Provisions	36		
Non-Current Finance lease obligation	37		
Non-Current portion of deferred income	38		
Non - Current portion of borrowings	39		
Service concession liability	40		
Total Non-current liabilities			
Total Liabilities			

Masogo Subcounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Description	Notes	2021/22 Kshs	2020/21 Kshs
Net assets			
Revaluation reserve			
Accumulated surplus/Deficit			
Capital Fund			
Total Net Assets and Liabilities			

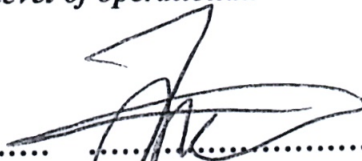
(The notes set out on pages x to xx form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 30 June 2022 and signed on its behalf by:


This is a small entity and therefore may not warrant the preparation of the statement of financial position due to level of operational.



.....
Chairman
Board of Management



.....
Head of Finance
ICPAK No:



.....
Medical Superintendent

ACCOUNTS UNIT
 DEPARTMENT OF HEALTH & SANITATION
 P.O. BOX 721 - 40100,
 KISUMU

MASOGO SUB-COUNTY
 HOSPITAL
 ★ 30 JUN 2022 ★
 P.O. BOX 14 - 40106
 MIWANI

XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	xxx	xxx	xxx	xxx
Revaluation gain	xxx	-	-	xxx
Surplus/(deficit) for the year	-	xxx	-	xxx
Capital/Development grants	-	-	xxx	xxx
As at June 30, 2021	xxx	xxx	xxx	xxx
At July 1, 2021	xxx	xxx	xxx	xxx
Revaluation gain	xxx	-	-	xxx
Surplus/(deficit) for the year	-	xxx	-	xxx
Capital/Development grants	-	-	xxx	xxx
At June 30, 2022	xxx	xxx	xxx	xxx


(Note:

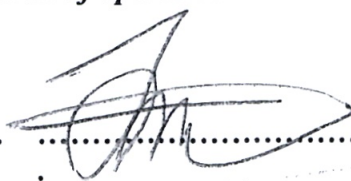
1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances, a restatement of the opening balances needs to be done.)

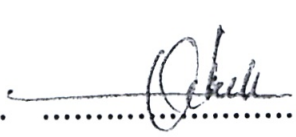
(The notes set out on pages x to xx form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 30 June 2022 and signed on its behalf by:

This is a small entity and therefore may not warrant the preparation of the statement of Changes in Net Asset due to level of operational.


.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:
DEPARTMENT OF HEALTH SERVICES
P.O. BOX 14 - 40106,
KISUMU


.....
Medical Superintendent

MASOGO SUB-COUNTY
HOSPITAL
★ 30 JUN 2022 ★
P.O. BOX 14 - 40106
MIWANI

Masogo Subcounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

XVI. Statement of Cash Flows for The Year Ended 30 June 2022

Description	Note	2021/22	2020/21
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		3,187,335	
Grants from donors and development partners		0	
Transfers from other Government entities		540,220	
Public contributions and donations		0	
Rendering of services- Medical Service Income		383,500	
Revenue from rent of facilities		0	
Finance / interest income		0	
Other receipts(<i>specify</i>)		0	
Total Receipts		4,111,055	
Payments			
Medical/Clinical costs		2,490,184	
Employee costs		502,000	
Board of Management Expenses		105,000	
Repairs and maintenance		712,097	
Grants and subsidies		0	
General expenses		518,000	
Finance costs		0	
Refunds paid out		0	
Total Payments		4,327,281	
Net cash flows from operating activities	41	(216,226)	
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		0	
Proceeds from the sale of property, plant, and equipment		0	
Acquisition of investments		0	
Net cash flows used in investing activities		0	
Cash flows from financing activities			
Proceeds from borrowings		0	
Repayment of borrowings		0	
Capital grants received		0	
Net cash flows used in financing activities		0	

*Masogo Subcounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 July	27	438,580	
Cash and cash equivalents at 30 July	27	222,354	

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation).

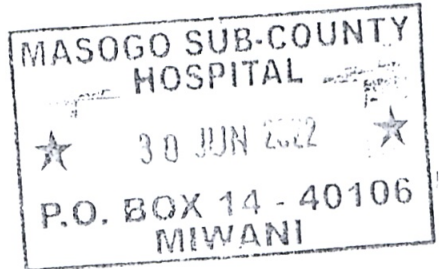
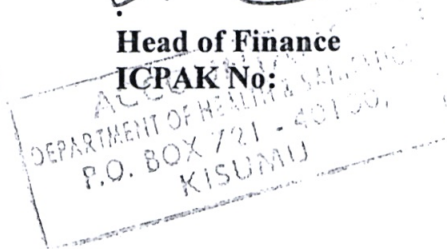
The notes set out on pages x to xx form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 30 June 2022 and signed on its behalf by:

.....

**Chairman
Board of Management**

**Head of Finance
ICPAK No:**

Medical Superintendent



Masogo Subcounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

(Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)

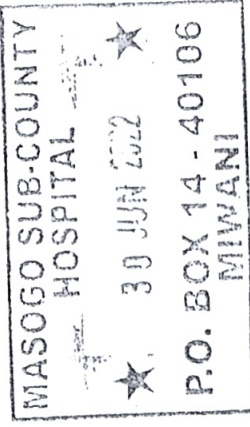
The notes set out on pages x to xx form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 30/6/2022 and signed on its behalf by:


.....
Chairman


.....
Head of Finance


.....
Medical Superintendent

Board of Management
ICPAK No:



XVIII. Notes To the Financial Statements

1. General Information

xxx entity is established by and derives its authority and accountability from xxx Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is xxx.

2. Statement Of Compliance And Basis Of Preparation

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

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

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

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

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

Masogo Subcounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

	<p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that</p>

	<p>leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>

ii. Early adoption of standards

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

4. Summary Of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (*cash, goods, services, and property*) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

Notes to the Financial Statements (Continued)

b) Budget information

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

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

Notes to the Financial Statements (Continued)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

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

e) Property, plant and equipment

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

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

Notes to the Financial Statements (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

Notes to the Financial Statements (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

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

Loans and receivables

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

Notes to the Financial Statements (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to the Financial Statements (Continued)

Loans and borrowing

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

i) Inventories

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

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

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

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

j) Provisions

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

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

Notes to the Financial Statements (Continued)

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

Notes to the Financial Statements (Continued)

n) 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.

o) 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.

p) Related parties

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

q) Service concession arrangements

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

Notes to the Financial Statements (Continued)

r) 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.

s) Comparative figures

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

t) 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, 20XX.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

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

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

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

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6. Transfers From The County Government

Description	2021/22	2020/21
	KShs	KShs
Unconditional grants		
Operational grant	3,187,335	Xxx
Level 5 grants	0	Xxx
Other grants	0	Xxx
	3,187,335	Xxx
Conditional grants		
User fee forgone	xxx	Xxx
Transforming health services for Universal care project (THUCP)	xxx	Xxx
DANIDA	xxx	Xxx
Wards Development grant	xxx	Xxx
Paediatric block grant	xxx	Xxx
Administration block grant	xxx	Xxx
Laboratory grant	xxx	Xxx
Total government grants and subsidies	3,187,335	Xxx

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Notes to the Financial Statements (Continued)

6 Transfers from The County Government

Name of the Entity ending the grants	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund KShs	Total grant income during the year KShs	Total 2020/21 KShs
xx County Government	3,187,335	xxx	xxx	xxx	Xxx
Total	3,187,335	xxx	xxx	xxx	Xxx

(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).

7. In Kind Contributions from The County Government

Description	2021/22 KShs	2020/21 KShs
Salaries and wages	0	
Pharmaceutical and Non-Pharmaceutical Supplies	0	
Medical supplies-Drawings Rights (KEMSA)	0	
Utility bills	0	
Total grants in kind	0	

(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)

8. Grants From Donors and Development Partners

Description	2021/22 KShs	2020/21 KShs
Cancer Centre grant- DANIDA	0	
World Bank grants	0	
Paediatric ward grant- JICA	0	
Research grants	0	
Other grants (<i>specify</i>)	0	
Total grants from development partners	0	

(Provide brief explanation for this revenue)

Notes to the Financial Statements (Continued)

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund	Total grant income during the year	Total 2020/21
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	0		Xxx	xxx	Xxx
JICA	0		Xxx	xxx	Xxx
World Bank	0		Xxx	xxx	Xxx
Total	0		Xxx	xxx	Xxx

9. Transfers From Other Government Entities

Description	2021/22	2020/21
	KShs	KShs
Transfer from National Government (Ministry of Health)e.g UHC	199,990	Xxx
Transfer from National Hospital insurance	340,230	Xxx
Transfer from xxx Institute	0	Xxx
Total Transfers	540,220	Xxx

10. Public Contributions and Donations

Description	2021/22	2020/21
	KShs	KShs
Public donations	0	
Donations from local leadership	0	
Donations from religious institutions	0	
Donations from other international organisations and individuals	0	
Other donations(<i>specify</i>)	0	
Donations in kind-amortised	0	
Total donations and sponsorships	0	

(Provide brief explanation for this revenue)

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Notes to the Financial Statements (Continued)

10 (a) Reconciliations of amortised grants

Description	2021/22	2020/21
	KShs	KShs
Balance unspent at beginning of year	0	
Current year receipts	0	
Amortised and transferred to revenue	0	
Conditions to be met – remain liabilities	0	

11. Rendering of Services-Medical Service Income

Description	2021/22	2020/21
	KShs	KShs
Pharmaceuticals		
Non-Pharmaceuticals		
Laboratory		
Radiology		
Orthopedic and Trauma Technology		
Theatre		
Accident and Emergency Service		
Anesthesia Service		
Ear Nose and Throat service		
Nutrition service		
Cancer centre service		
Dental services		
Reproductive health		
Paediatrics services		
Farewell home services		
Other medical services income		
Total revenue from the rendering of services	383,500	

(other medical services fee relates to other charges not listed above)

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2021/22	2020/21
	KShs	KShs
Residential property	0	
Commercial property	0	
Total Revenue from rent of facilities	0	

(Provide brief explanation for this revenue)

13. Finance /Interest Income

Description	2021/22	2020/21
	KShs	KShs
Cash investments and fixed deposits	0	
Interest income from short- term/ current deposits	0	
Interest income from Treasury Bills	0	
Interest income from Treasury Bonds	0	
Interest from outstanding debtors	0	
Total finance income	0	

(Provide brief explanation for this revenue)

14. Other Income

Description	2021/22	2020/21
	KShs	KShs
Insurance recoveries	0	
Income from sale of tender	0	
Services concession income	0	
Sale of goods (water, publications, containers etc)	0	
Total other income	0	

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

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Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2021/22 KShs	2020/21 KShs
Dental costs/ materials	0	
Laboratory chemicals and reagents	190,000	
Public health activities	0	
Food and Ration	919,408	
Uniform, clothing, and linen	50,000	
Dressing and Non-Pharmaceuticals	195,000	
Pharmaceutical supplies	978,776	
Health information stationery	90,000	
Reproductive health materials	0	
Sanitary and cleansing Materials	50,000	
Purchase of Medical gases	17,000	
X-Ray/Radiology supplies	0	
Other medical related clinical costs (<i>specify</i>)	0	
Total medical/ clinical costs	2,490,184	

(Other medical/clinical related costs refers to all other costs involved in management of the patients directly not analysed above.)

16. Employee Costs

Description	2021/22 KShs	2020/21 KShs
Salaries, wages, and allowances	502,000	
Contributions to pension schemes	0	
Service gratuity		
Performance and other bonuses		
Staff medical expenses and Insurance cover		
Group personal accident insurance and WIBA		
Social contribution		
Other employee costs (<i>specify</i>)		
Employee costs	502,000	

(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2021/22	2020/21
	KShs	KShs
Chairman's Honoraria		
Sitting allowance	105,000	
Mileage		
Insurance expenses		
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
Total	105,000	

18. Depreciation And Amortization Expense

Description	2021/22	2020/21
	KShs	KShs
Property, plant and equipment	0	
Intangible assets	0	
Investment property carried at cost	0	
Total depreciation and amortization	0	

19. Repairs And Maintenance

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings	335,000	
Plant Machinery& equipment	80,097	
Office equipment		
Furniture and fittings		
Computers and accessories		
Motor vehicle expenses	297,000	
Maintenance of civil works		
Total repairs and maintenance	712,097	

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Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2021/22 KShs	2020/21 KShs
Community development and social work	0	
Education initiatives and programs	0	
Free/ subsidised medical camp	0	
Disability programs	0	
Free cancer screening	0	
Other grants and subsidies(<i>specify</i>)	0	
Total grants and subsidies	0	

21. General Expenses

Description	2021/22 KShs	2020/21 KShs
Advertising and publicity expenses		
Catering expenses		
Waste management expenses		
Insecticides and rodenticides		
Audit fees		
Bank charges	2,000	
Conferences and delegations		
Consultancy fees		
Contracted services		
Electricity expenses	150,000	
Insurance		
Research and development expenses		
Travel and accommodation allowance	37,500	
General Office Supply	45,000	
Licenses and permits		
Courier and postal services		
Other fuels	51,000	
Refined fuels	160,000	
Rent expenses		
Water and sewerage costs	10,000	
Skills development levies		
Telephone and mobile phone services	62,500	
Internet expenses		

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Description	2021/22	2020/21
	KShs	KShs
Staff training and development		
Subscriptions to professional bodies		
Subscriptions to newspapers periodical, magazines, and gazette notices		
Library books/Materials		
Parking charges		
Total General Expenses	518,000	

22. Finance Costs

Description	2021/22	2020/21
	KShs	KShs
Borrowings (amortized cost) *	0	
Finance leases (amortized cost)	0	
Interest on Bank overdrafts/Guarantees	0	
Interest on loans from commercial banks	0	
Total finance costs	0	

(Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

23. Gain/Loss On Disposal Of Non-Current Assets

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	0	
Intangible assets	0	
Other assets not capitalised (<i>specify</i>)	0	
Total gain on sale of assets	0	

24. Unrealized Gain On Fair Value Investments

Description	2021/22	2020/21
	KShs	KShs
Investments at fair value	0	
Total gain	0	

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Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2021/22	2020/21
	KShs	KShs
Comprehensive care contracts with NHIF	0	
Non- Comprehensive contracts care with NHIF	0	
Linda Mama Program	0	
Waivers and Exemptions	0	
Total Gain/Loss	0	

26. Impairment Loss

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	0	
Intangible assets	0	
Total impairment loss	0	

27. Cash And Cash Equivalents

Description	2021/22	2020/21
	KShs	KShs
Current accounts	438,580	
On - call deposits		
Fixed deposits accounts		
Cash in hand		
Others(<i>specify</i>)- Mobile money		
Total cash and cash equivalents	438,580	

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

Notes to the Financial Statements (Continued)

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

Description		2021/22	2020/21
Financial Institution	Account number	KShs	KShs
a) Current account			
Kenya commercial Bank	1148796614	438,580	
Equity Bank, etc			
Sub- total			
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		438,580	

28. Receivables From Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables	0	
Rent receivables	0	
Other exchange debtors	0	
Less: impairment allowance	0	
Total receivables	0	

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Notes to the Financial Statements (Continued)

29. Receivables From Non-Exchange Transactions

Description	2021/22 KSh	2020/21 KSh
Transfers from the County Government	0	
Undisbursed donor funds	0	
Other debtors (<i>non-exchange transactions</i>)	0	
Less: impairment allowance	0	
Total	0	

(Undisbursed donor funds refer to funds expected where conditions for disbursements have been met by the recipient as at the reporting date)

30. Inventories

Description	2021/22 KSh	2020/21 KSh
Pharmaceutical supplies	978,776	
Maintenance supplies	712,097	
Food supplies	919,408	
Linen and clothing supplies	50,000	
Cleaning materials supplies	50,000	
General supplies	45,000	
Less: provision for impairment of stocks		
Total	2,755,281	

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Notes to the Financial Statements (Continued)

31. 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
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2020	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	-	-	xxx	xxx
Disposals	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xx x)
Transfers/adjustments	xxx	xxx	(xxx)	xxx			xxx	(xx x)
At 30th June 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
At 1 st July 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Disposals	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xx x)
Transfer/adjustments		xxx		xxx			(xxx)	-
At 30th June 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Depreciation and impairment								
At 1 July 2020	xxx	xxx	xxx	xxx	xxx	xxx		xxx
Depreciation for the year	xxx	xxx	xxx	xxx	xxx	xxx		xxx
Disposals	(xx	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx

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	x)							x)
Impairment	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx x)
At 30 June 2021	xxx	xxx	xxx	xxx	xxx	xxx		xxx
At July 2021	xxx	xxx	xxx	xxx	xxx	xxx		xxx
Depreciation	xxx	xxx	xxx	xxx	xxx	xxx		xxx
Disposals	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx x)
Impairment	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx x)
Transfer/adjustment		xxx	-	xxx	-	-	(xxx)	(xx x)
At 30th June 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Net book values								
At 30 th June 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
At 30 th June 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2021/22	2020/21
	KShs	KShs
Cost		
At beginning of the year	xxx	xxx
Additions	xxx	xxx
Additions-Internal development	xxx	xxx
Disposal	(xxx)	(xxx)
At end of the year	xxx	xxx
Amortization and impairment		
At beginning of the year	xxx	xxx
Amortization for the period	xxx	xxx
Impairment loss	xxx	xxx
At end of the year	xxx	xxx
NBV	xxx	xxx

33. Investment Property

Description	2021/22	2020/21
	KShs	KShs
At beginning of the year	xxx	xxx
Additions	xxx	xxx
Fair value gain	xxx	xxx
Depreciation (<i>where investment property is at cost</i>)	(xxx)	(xxx)
At end of the year	xxx	xxx

34. Trade And Other Payables

Description	2021/22	2020/21
	KShs	KShs
Trade payables	xxx	xxx
Employee dues	xxx	xxx
Third-party payments (<i>unremitted payroll deductions</i>)	xxx	xxx
Audit fee		
Doctors' fee	xxx	xxx
Total trade and other payables	xxx	xxx

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Notes to the Financial Statements (Continued)

35. Refundable Deposits from Customers/Patients

Description	2021/22	2020/21
	KShs	KShs
Medical fees paid in advance	xxx	xxx
Credit facility deposit	xxx	xxx
Rent deposits	xxx	xxx
Others (<i>specify</i>)	xxx	xxx
Total deposits	xxx	xxx

36. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	xxx	xxx	xxx	xxx
Additional Provisions	xxx	xxx	xxx	xxx
Provision utilised	(xxx)	(xxx)	(xxx)	(xxx)
Change due to discount & time value for money	(xxx)	(xxx)	(xxx)	(xxx)
Total provisions	xxx	xxx	xxx	xxx
Current Provisions	xxx	xxx	xxx	xxx
Non-Current Provisions	xxx	xxx	xxx	xxx
Total Provisions	xxx	xxx	xxx	xxx

37. Finance Lease Obligation

Description	2021/22	2020/21
	Kshs	Kshs
Current Lease obligation	xxx	xxx
Long term lease obligation	xxx	xxx
Total	Xxx	xxx

Notes to the Financial Statements (Continued)

38. Deferred Income

Description	2021/22 KShs	2020/21 KShs
Current Portion	xxx	xxx
Non-Current Portion	xxx	xxx
Total	xxx	xxx

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

Description	National government	International funders/donors	Public contributions and donation	Total
Balance b/f	xxx	xxx	xxx	xxx
Additions during the year	xxx	xxx	xxx	xxx
Transfers to Capital fund	(xxx)	(xxx)	(xxx)	(xxx)
Transfers to statement of financial performance	(xxx)	(xxx)	(xxx)	(xxx)
Other transfers (<i>Specify</i>)	(xxx)	(xxx)	(xxx)	(xxx)
Balance C/F	xxx	xxx	xxx	xxx

39. Borrowings

Description	2021/22 KShs	2020/21 KShs
Balance at beginning of the period	xxx	xxx
External borrowings during the year	xxx	xxx
Domestic borrowings during the year	xxx	xxx
Repayments of external borrowings during the year	(xxx)	(xxx)
Repayments of domestic borrowings during the year	(xxx)	(xxx)
Balance at end of the period	xxx	xxx

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Notes to the Financial Statements (Continued)

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

Description	2021/22	2020/21
	KSh	KSh
Current Obligation	xxx	xxx
Non-Current Obligation	xxx	xxx
Total	xxx	xxx

(Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

40. Service Concession Arrangements

Description	2021/22	2020/21
	KSh	KSh
Fair value of service concession assets recognized under PPE	xxx	xxx
Accumulated depreciation to date	(xxx)	xxx
Net carrying amount	<u>xxx</u>	<u>xxx</u>
Service concession liability at beginning of the year	xxx	xxx
Service concession revenue recognized	(xxx)	(xxx)
Service concession liability at end of the year	<u>xxx</u>	<u>xxx</u>

41. Cash Generated from Operations

	2021/22	2020/21
	KSh	KSh
Surplus for the year before tax		
Adjusted for:		
Depreciation	xxx	xxx
Non-cash grants received	(xxx)	(xxx)
Impairment	xxx	xxx
Gains and losses on disposal of assets	(xxx)	(xxx)
Contribution to provisions	xxx	xxx
Contribution to impairment allowance	xxx	xxx
Working Capital adjustments		
Increase in inventory	(xxx)	(xxx)
Increase in receivables	(xxx)	(xxx)
Increase in deferred income	xxx	xxx
Increase in payables	xxx	xxx
Increase in payments received in advance	xxx	xxx
Net cash flow from operating activities	xxx	xxx

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

Notes to the Financial Statements (Continued)

42. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The 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 entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a 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 entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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Notes to the Financial Statements (Continued)

Description	Total amount	Fully performing	Past due	Impaired
	Ksh	Ksh	Ksh	Ksh
At 30 June 2020				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from –non-exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx
At 30 June 2022				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from –non-exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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 entity 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 entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the 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.

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

(iii) Market risk

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

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Notes to the Financial Statements (Continued)

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

a) Foreign currency risk

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

	KShs KShs	Other currencies KShs	Total KShs
At 30 June 20xx			
Financial assets (investments, cash, debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

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

	KShs KShs	Other currencies KShs	Total KShs
At 30 June 20xx			
Financial assets (investments, cash, debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
20xx			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx
20xx			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx

Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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Notes to the Financial Statements (Continued)

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

	KSh	KSh
Revaluation reserve	xxx	xxx
Retained earnings	xxx	xxx
Capital reserve	xxx	xxx
Total funds	xxx	xxx
Total borrowings	xxx	xxx
Less: cash and bank balances	(xxx)	(xxx)
Net debt/ (excess cash and cash equivalents)	xxx	xxx
Gearing	xx%	xx%

43. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

Notes to the Financial Statements (Continued)

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

Description	2021/22 Kshs	2020/21 Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx	xxx	xxx
Sales of services to xxx	xxx	xxx
Total	xxx	xxx
b) Grants from the Government		
Grants from County Government	xxx	xxx
Grants from the National Government Entities	xxx	xxx
Donations in kind	xxx	xxx
Total	xxx	xxx
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	xxx	xxx
Payments for goods and services for xxx	xxx	xxx
Total	xxx	xxx
d) Key management compensation		
Directors' emoluments	xxx	xxx
Compensation to the medical Sup	xxx	xxx
Compensation to key management	xxx	xxx
Total	xxx	xxx

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Notes to the Financial Statements (Continued)

44. Segment Information

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

45. Contingent Liabilities

Contingent liabilities	2021/22	2020/21
	Kshs	Kshs
Court case xxx against the company	xxx	xxx
Bank guarantees in favour of subsidiary	xxx	xxx
Total	xxx	xxx

(Give details)

46. Capital Commitments

Capital Commitment	2021/22	2020/21
	Kshs	Kshs
Authorised For	xxx	xxx
Authorised And Contracted For	xxx	xxx
Total	xxx	xxx

(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)

47. Events After The Reporting Period

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

48. Ultimate And Holding Entity

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

49. Currency

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

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XIX. 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. of the external audit Report	Issue / Observations by Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

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 entity 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.

.....
Accounting Officer
(To be signed by the accounting officer of the Hospital)

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APPENDIX II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project No.	Project Name	Donor	Project Description	Donor Commitment	Separate financial statements for the donor	Consolidated in donor 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)

Project No.	Project Name	Total committed to date	% completion to date	Source	Actual	Source of funds
1						
2						
3						

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APPENDIX IV: Inter-Entity Confirmation Letter
[Insert your Letterhead]

[Insert name of beneficiary entity]
 [Insert Address]

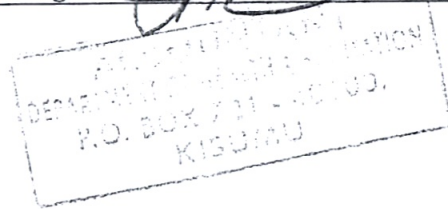
The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2021 (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 Accountants department of beneficiary entity:

Name *John Chacha* Sign *[Signature]* Date *20/6/2023*



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APPENDIX V Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of Medical Supp/MD/Head

Name and contact details of contact person (in case of any clarifications)

Project Name	Date of Approval	Project Objective	Project Details	Q1	Q2	Q3	Q4	Sum of Total	Implementing Partners

APPENDIX VI Disaster Expenditure Reporting Template

Date						
Entity						
Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments