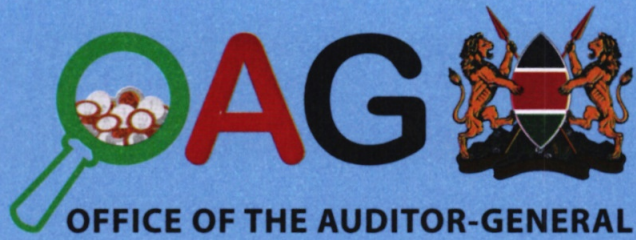
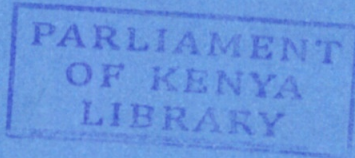


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

| | |
|-------------|------------------|
| DATE | 19/09/2024 |
| TABLED BY | ML |
| COMMITTEE | — |
| PREPARED BY | Carolynne Chesep |

THE AUDITOR-GENERAL

ON

MATUU LEVEL 4 HOSPITAL

**FOR THE YEAR ENDED
30 JUNE, 2022**

COUNTY GOVERNMENT OF MACHAKOS



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

18 JUN 2024

RECEIVED



**Matuu Level 4 Hospital
(Machakos 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)

Matuu Level 4 Hospital (Machakos 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

Matuu Level 4 Hospital is a level (4) hospital established under gazette notice number 24 dated February 2020 and is domiciled in Machakos County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of Matuu Level 4 hospital is to provide affordable and efficient healthcare services to the patients.

The vision of the entity is to be a centre of excellence in primary and secondary health services provision, training and primary care Research.

(c) Key Management

The Matuu Level 4 hospital's management is under the following key organs:

- County department of Health
- Health Management Team (HMT)
- Accounting Officer/ Medical Superintendent
-

(d) 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 | Dr Eliud Aluvaala |
| 2. | Head of finance | Jane Mauye |
| 3. | Head of supply chain | Rose Rita Mugambi |
| 4. | Head of Administration | Stellamaris Mwanzia |
| 5. | Head of Nursing services | Mary N Kiala |

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees
- Other oversight committees

(f) Entity Headquarters

P.O. Box 94-90119
Matuu Building/House/Plaza
Nairobi- Garissa Road/Highway
Machakos, KENYA

(g) Entity Contacts

Telephone: (+254) 0113113073
E-mail: matuudh@gmail.com
Website: www.go.ke

(h) Entity Bankers

Kenya commercial Banks -Matuu

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) County Attorney

County law office
P.O. Box 1996-90100
Machakos, Kenya

II. The Board of Management

There was no Board of Directors in Mwala Level Hospital during FY 2021-2022

II. Management Team

| Ref | Management | Details |
|-----|-------------------------------|-------------------------------|
| 1. | Manager Dr Eliud Aluvaala | Medical Superintendent |
| 2. | Manager 2 Stellamaris mwanzia | Health Administrative Officer |
| 3. | Manager 3 Mary N Kiala | Nursing service manager |

IV. Chairman's Statement

There was no chairman's statement because the board of directors is yet to be formed.

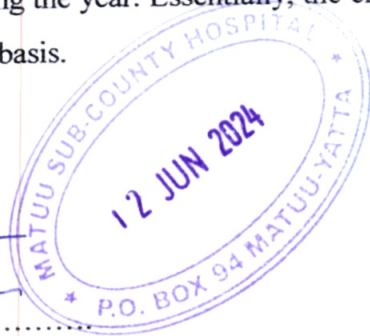

V. Report of The Chief Executive Officer/ Medical Superintendent

It is my pleasure to present the Matuu Level 4 Hospital Financial Statements for the year ended 30th June 2022, which are in line with the Public Finance Management (PFM) Act, 2012. The Act requires final financial statements to be prepared, published, publicized and submitted to the County Assembly, Office of the Auditor General, the National Treasury, the Controller of Budget and Commission for Revenue Allocation within a period of three months after the end of each Financial Year.

Attached are the Hospital's Statements which have been prepared in line with the requirements of the PFM Act 2012, which present a true and fair view of state of affairs of the County Government of Machakos for the year ended 30th June, 2022.

The Financial statements highlights both qualitative and quantitative user information about the performance of the hospital based on the revenue received and collected from the county and NHIF or Facility Improvement Fund versus numerous expenses incurred in line to promotion of quality health care services.

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



Dr Eliud Aluvaala
Medical Superintendent

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.

Matuu Level Hospital has *three (3)* strategic objectives within the current Strategic Plan for the FY 2021-22. These objectives have been identified through a participatory process that reviewed the health priorities of the Governor’s Manifesto, the National Government’s “Big Four” and more specifically on Universal Health Care, NIUPLAN, SDGs and the MTP III. The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and health sector aspirations.

The strategic objectives are as follows;

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

Matuu Level 4 Hospital develops its annual work plans based on the above three objectives. Assessment of the management’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2021/2022 period for its own strategic pillars, as indicated in the diagram below:

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

Matuu Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

| | | | | |
|-----------------------|---|---|----------------------------|--|
| Strategic partnership | Conduct sensitization and research in order to attract donors | Number of donors offering financial support | -Collaboration with donors | Managed to partner with DANIDA and Red-Cross |
|-----------------------|---|---|----------------------------|--|

VII. Corporate Governance Statement

The Hospital Management is responsible for the corporate governance of the Hospital and is accountable to Ministry of Health, County Department of Health Machakos County for ensuring that the Hospital complies with the laws and the highest standards of corporate governance and business ethics. The 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. This is done by the management because there is no Board of Management

III. Management Discussion and Analysis

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

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

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

- a. Overhauling the plumbing system of the hospital
- b. Renovating and painting the whole hospital
- c. Planting trees around the hospital and open spaces
- d. Finishing and maintenance of catering unit
- e. Construction of incinerator
- f. Automation of the hospital services

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

- Operational costs emanating from faulty and out-dated medical equipment.
- Market risks resulting from competition from private sector offering quality health care services
- Credit risk emanating from long outstanding pending bills
- Delayed Cashflow from County Treasury
- Over stretched work force in some sections within the facility.

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

IX. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile

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

ii) Environmental performance

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

iii) Employee welfare

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

iv) Market place practices

The hospital maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

v) Corporate Responsibility/Community Engagements

Matuu Level 4 Hospital has conducted numerous CSR activities during the year on free- cancer and tuberculosis screening and treatment.

X. Report of the board of Management

The Management submits 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 activity, mandate and mission of the Hospital is to provide quality health care services to the people of Mwala Sub-County and its environs by preventing, controlling and eradicating diseases.

Results

The results of the entity for the year ended June 30 are set out on page IX

Board of Management

There was no Board of Management that served during FY 2021-2022

Auditors

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


Dr Eliud Aluvaala
Medical Superintendent



XI. Statement of Board of Management’s Responsibilities

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

The Management is responsible for the preparation and presentation of the entity’s financial statements, which give a true and fair view of the state of affairs of the entity 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 entity; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Management accepts responsibility for the entity’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Management are of the opinion that the entity’s financial statements give a true and fair view of the state of entity’s transactions during the financial year ended June 30, 2022, and of the entity’s financial position as at that date. The Management further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity’s financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Management to indicate that the entity 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 Management on _____ and signed on its behalf by:

.....
Name:
Chairperson
Board of Management

.....
Name:
Accounting Officer



REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON MATUU LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF MACHAKOS

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Matuu Level 4 Hospital - County Government of Machakos set out on pages 1 to 51, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Matuu Level 4 Hospital - County Government of Machakos 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 comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Non-Disclosure of Property, Plant and Equipment

The statements of financial position reflect Nil property, plant and equipment balance as disclosed in Note 31 to the financial statements. However, the Hospital has assets of undetermined values including land, buildings, ambulance, medical equipment, furniture and fittings that have not been incorporated into the financial statements.

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

2. Unconfirmed Inventories Balance

The statements of financial position reflect inventories balance of Kshs.208,040 as disclosed in Note 30 to the financial statements. However, there was no evidence of the annual stock take having been conducted to confirm the quantities, value and status of closing inventories balance.

In the circumstances, the accuracy, completeness and valuation of the inventories balance of Kshs.208,040 could not be confirmed.

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

The statement of financial performance reflects employee costs of Kshs.4,886,304 for casuals and contractual staff as disclosed in Note 16 to the financial statements. The Hospital however, received services from medical staff employed and paid for by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.4,886,304 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Late Submission of Financial Statements

The financial statements for the financial year ended 30 June, 2022 were submitted for audit on 3 March, 2023, five (5) months later than the statutory deadline. This was contrary to Section 68 (2)(k) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Auditor-General for audit.

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

2. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records, interviews and 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 56 staff requirements or 55 % of the authorized establishment.

| Staff Requirements | Level 4 Standard | Number in Hospital | Variance | Percentage % |
|---------------------------|-------------------------|---------------------------|-----------------|---------------------|
| Medical Officers | 16 | 2 | 14 | 88 |
| Anaesthesiologists | 2 | 0 | 2 | 100 |

| Staff Requirements | Level 4 Standard | Number in Hospital | Variance | Percentage % |
|------------------------------------|-------------------------|---------------------------|-----------------|---------------------|
| General Surgeons | 2 | 1 | 1 | 50 |
| Gynaecologists | 2 | 0 | 2 | 100 |
| Paediatricians | 2 | 1 | 1 | 50 |
| Radiologists | 2 | 0 | 2 | 100 |
| Registered Community Health Nurses | 75 | 41 | 34 | 55 |
| Total | 101 | 45 | 56 | 55 |

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

| Equipment & Machines | Level 4 Hospital Standard | Actuals In the Hospital | Variance | Percentage % |
|---|----------------------------------|--------------------------------|-----------------|---------------------|
| Bed Capacity | 150 | 78 | 72 | 48 |
| Incubators (New born) | 5 | 4 | 1 | 20 |
| Cots | 5 | 3 | 2 | 40 |
| Functional ICU Beds | 6 | 0 | 6 | 100 |
| HDU Beds | 6 | 0 | 6 | 100 |
| Renal Unit with Dialysis Machines | 5 | 0 | 5 | 100 |
| Functional Operating Theatres Maternity and General | 2 | 1 | 1 | 50 |

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

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

3. Failure to Prepare Quarterly Revenue Reports

The statement of financial performance reflects Kshs.7,524,515 in relation to the rendering of services -medical income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County Treasury with a copy to the Auditor-General. This was contrary to Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Establish Internal Audit Function

During the year under review, the Hospital did not establish an Audit Committee. Further, no evidence was provided to show that Management relied on the Internal Audit Department of the Machakos County Executive. This was 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 and Section 155(1) of the Public Finance Management Act, 2012 which states that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, internal controls, risk management and governance of the Hospital may not have been effective.

2. Lack of Risk Management Policy

During the year under review, the Hospital did not have a risk management policy in place. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that provides that the County Government entity shall develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the internal controls, risk management and governance systems may not have been effective.

3. Lack of Board of Management

Review of records and processes revealed that the hospital did not have Board of Directors /Board of Management. This was contrary to Health Act No.21 of 2017 which

states that the entity shall be administered by a Board of the Board which shall consist of a chairperson appointed by the Cabinet Secretary who shall be a health professional who meets the requirements of Chapter six of the Constitution of Kenya.

In the circumstances, the effectiveness of oversight and governance systems could not be confirmed.

4. Failure to Maintain Fixed Asset Register

The statement of financial position reflects Nil balance in respect to property, plant and equipment as disclosed in Note 31 to the financial statements. However, it was also noted that the Hospital does not maintain fixed asset register to control its assets. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the Hospital has ever evaluated its assets to ascertain the correct market values.

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

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

Responsibilities of Management and the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to 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 responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 June, 2024

Matuu Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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 | 5,000,000 | - |
| In-kind contributions from the County Government | 7 | - | - |
| Grants from donors and development partners | 8 | - | - |
| Transfers from other Government entities | 9 | - | - |
| Public contributions and donations | 10 | - | - |
| | | 5,000,000 | - |
| Revenue from exchange transactions | | | |
| Rendering of services- Medical Service Income | 11 | 7,524,515 | - |
| Revenue from rent of facilities | 12 | - | - |
| Finance /Interest Income | 13 | - | - |
| Other income (<i>specify</i>) | 14 | - | - |
| Revenue from exchange transactions | | | - |
| Total revenue | | 12,524,515 | - |
| Expenses | | | |
| Medical/Clinical costs | 15 | 4,022,288 | |
| Employee costs | 16 | 4,886,304 | |
| Board of Management Expenses | 17 | - | |
| Depreciation and amortization expense | 18 | | |
| Repairs and maintenance | 19 | 734,630 | |
| Grants and subsidies | 20 | | |
| General expenses | 21 | 2,825,033 | |
| Finance costs | 22 | | |
| Total expenses | | 12,468,255 | |
| Other gains/(losses) | | | |


Matuu Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022


| | | | |
|--|----|------------------|---|
| Gain on disposal of non-Current assets | 23 | | |
| Unrealized gain on fair value of investments | 24 | | |
| Medical services contracts Gains/Losses | 25 | - | - |
| Impairment loss | 26 | - | - |
| Gain on foreign exchange transactions | | - | - |
| Total other gains/(losses) | | - | - |
| Net Surplus for the year | | 56,260.00 | - |
| Attributable to: | | | |
| Surplus/(deficit) attributable to minority interest | | - | - |
| Surplus attributable to owners of the controlling entity | | - | - |
| | | 56,260.00 | - |

(The notes set out on pages 10 to 50 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Management on 12/06/24 and signed on its behalf by:

.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent



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

| Description | Notes | 2021/22 | 2020/21 |
|---|--------------|----------------|----------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 27 | 56,260 | - |
| Receivables from exchange transactions | 28 | - | - |
| Receivables from non-exchange transactions | 29 | - | - |
| Inventories | 30 | 208,140 | - |
| Total Current Assets | | 264,400 | - |
| Non-current assets | | | |
| Property, plant, and equipment | 31 | - | - |
| Intangible assets | 32 | - | - |
| Investment property | 33 | - | - |
| Total Non-current Assets | | - | - |
| Total assets | | 264,400 | - |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 34 | 264,400 | - |
| 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 | | 264,400 | - |
| 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 | | 264,400 | - |


Matuu Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

| Description | Notes | 2021/22 | 2020/21 |
|---|-------|----------------|---------|
| | | Kshs | Kshs |
| Net assets | | | |
| Revaluation reserve | | - | - |
| Accumulated surplus/Deficit | | 56,260 | - |
| Capital Fund | | - | - |
| | | - | - |
| Total Net Assets and Liabilities | | 320,660 | |

(The notes set out on pages 10 to 50 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Management on 12/6/24 and signed on its behalf by:

.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent

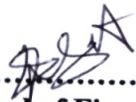


XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022

| | Revaluation reserve | Accumulated surplus/Deficit | Capital Fund | Total |
|--------------------------------|---------------------|-----------------------------|--------------|--------|
| As at July 1, 2020 | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Surplus/(deficit) for the year | - | - | - | - |
| Capital/Development grants | - | - | - | - |
| As at June 30, 2021 | - | - | - | - |
| At July 1, 2021 | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Surplus/(deficit) for the year | - | 56,260 | - | 56,260 |
| Capital/Development grants | - | - | - | - |
| At June 30, 2022 | - | 56,260 | - | 56,260 |

The Hospital's financial statements were approved by the Management on _____ and signed on its behalf by:

.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent



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


| Description | | 2021/22 | 2020/21 |
|---|-------------|-------------------|----------------|
| | Note | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the County Government | 5 | 5,000,000 | - |
| Grants from donors and development partners | 6 | - | - |
| Transfers from other Government entities | 9 | - | - |
| Public contributions and donations | 10 | - | - |
| Rendering of services- Medical Service Income | 11 | - 7,524,515 | - |
| Revenue from rent of facilities | 12 | - | - |
| Finance / interest income | 13 | - | - |
| Other receipts(<i>specify</i>) | 14 | - | - |
| Total Receipts | | 12,524,515 | - |
| Payments | | | |
| Medical/Clinical costs | | 4,022,288 | - |
| Employee costs | | 4,886,304 | - |
| Board of Management Expenses | | - | - |
| Repairs and maintenance | | 734,630 | - |
| Grants and subsidies | | - | - |
| General expenses | | 2,825,033 | - |
| Finance costs | | - | - |
| Refunds paid out | | - | - |
| Total Payments | | 12,468,255 | - |
| Net cash flows from operating activities | 41 | | - |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment, & intangible assets | | | |
| Proceeds from the sale of property, plant, and equipment | | | |
| Acquisition of investments | | | |
| Net cash flows used in investing activities | | | - |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | - |
| Capital grants received | | - | - |

Matuu Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

| | | | | |
|---|----|--|---------------|---|
| Net cash flows used in financing activities | | | - | |
| Net increase/(decrease) in cash and cash equivalents | | | - | - |
| Cash and cash equivalents at 1 July 2021 | 27 | | | - |
| Cash and cash equivalents at 30 June 2022 | 27 | | 56,260 | - |

The notes set out on pages 10 to 50 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Management on _____ and signed on its behalf by:

.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent



XVII. Statement of Comparison of Budget and Actual Amounts for The Year Ended 30 June 2022

| Description | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilisation |
|---|-------------------|-------------|-------------------|----------------------------|------------------------|------------------|
| | a | b | c=(a+b) | D | e=(c-d) | f=d/c% |
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Revenue | | | | | | |
| Transfers from the County Government | 5,000,000 | - | 5,000,000 | 5,000,000 | - | 100% |
| Grants from donors and development partners | - | - | - | - | - | - |
| Transfers from other Government entities | - | - | - | - | - | - |
| Public contributions and donations | - | - | - | - | - | - |
| Rendering of services- Medical Service Income | 7,524,515 | - | 7,524,515 | 7,524,515 | - | 100% |
| Revenue from rent of facilities | - | - | - | - | - | - |
| Finance / interest income | - | - | - | - | - | - |
| Other receipts (<i>specify</i>) | - | - | - | - | - | - |
| Total income | 12,524,515 | - | 12,524,515 | 12,524,515 | - | 100% |
| Expenses | | | | | | |
| Medical/Clinical costs | 4,022,288 | - | 4,022,288 | 4,022,288 | - | 100% |
| Employee costs | 4,886,304 | - | 4,886,304 | 4,886,304 | - | 100% |
| Remuneration of directors | - | - | - | - | - | 100% |
| Repairs and maintenance | 734,630 | - | 734,630 | 734,630 | - | 100% |
| Grants and subsidies | - | - | - | - | - | 100% |
| General expenses | 2,825,033 | - | 2,825,033 | 2,825,033 | - | 100% |

Matuu Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

| | | | | | | |
|-------------------------------|-------------------|---|-------------------|-------------------|---|-------------|
| Finance costs | - | - | - | - | - | 0% |
| Refunds | - | - | - | - | - | - |
| Total Expenditures | 12,468,255 | - | 12,468,255 | 12,468,255 | - | 100% |
| Surplus for the period | 56,260 | - | 56,260 | 56,260 | - | 100% |

The notes set out on pages 10 to 50 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Management on _____ and signed on its behalf by:

.....
Chairman
Board of Management

.....
Head of Finance
ICPAK No:

.....
Medical Superintendent



XVIII. Notes To the Financial Statements

1. General Information

Matuu Level 4 hospital is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide healthcare services.

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. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

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>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> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and |

Matuu Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

| | |
|--|---|
| | (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <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> |
| Other improvements to IPSAS | <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> |
| IPSAS 43 | <p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that</p> |

Matuu Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

| | |
|---|--|
| | <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>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p> | <p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> |

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in the year 2021/2022

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 2021-2022 was approved by County Assembly on 30th June 2021. 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 facility on the FY 2021-2022 budget following the County Assembly'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 XVII 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 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.

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, 2022.

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.

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.

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6. Transfers From the County Government

| Description | 2021/22 | 2020/21 |
|---|------------------|----------------|
| | KShs | KShs |
| Unconditional grants | | |
| Operational grant | 5,000,000 | - |
| Level 5 grants | - | - |
| Other grants | - | - |
| | | |
| Conditional grants | | |
| User fee forgone | - | - |
| Transforming health services for Universal care project (THUCP) | - | - |
| DANIDA | - | - |
| Wards Development grant | - | - |
| Paediatric block grant | - | - |
| Administration block grant | - | - |
| Laboratory grant | - | - |
| Total government grants and subsidies | 5,000,000 | - |

Notes to the Financial Statements (Continued)

6 Transfers from The County Government

| Name of the Entity sending the grant | Amount recognized to Statement of financial performance KShs | Amount deferred under deferred income KShs | Amount recognised in capital fund. | Total grant income during the year | Total 2020/21 |
|--------------------------------------|--|--|------------------------------------|------------------------------------|---------------|
| | | | KShs | KShs | KShs |
| Machakos County Government | 5,000,000 | - | - | 5,000,000 | - |
| Total | 5,000,000 | - | - | 5,000,000 | - |

7. In Kind Contributions from The County Government

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

8. Grants From Donors and Development Partners

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

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 | - | - | - | - | - |
| JICA | - | - | - | - | - |
| World Bank | - | - | - | - | - |
| Total | - | - | - | - | - |

9. Transfers From Other Government Entities

| Description | 2021/22 | 2020/21 |
|--|---------|---------|
| | KShs | KShs |
| Transfer from National Government (Ministry of Health) | - | - |
| Transfer from National Hospital | - | - |
| Transfer from Institute | - | - |
| Total Transfers | - | - |

10. Public Contributions and Donations

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

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 | - | - |
| Current year receipts | - | - |
| Amortised and transferred to revenue | - | - |
| Conditions to be met – remain liabilities | - | - |

11. Rendering of Services-Medical Service Income

| Description | 2021/22 | 2020/21 |
|---|---------------------|----------------|
| | KShs | KShs |
| | 7,524,515.00 | - |
| 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 | 7,524,515.00 | - |

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Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

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

13. Finance /Interest Income

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

(Provide brief explanation for this revenue)

14. Other Income

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

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

| Description | 2021/22 | 2020/21 |
|---|------------------|---------|
| | KShs | KShs |
| Dental costs/ materials | - | |
| Laboratory chemicals and reagents | 99,800 | |
| Public health activities | | |
| Food and Ration | 1,898,915 | |
| Uniform, clothing, and linen | | |
| Dressing and Non-Pharmaceuticals | 1,294,605 | |
| Pharmaceutical supplies | 400,496 | |
| Health information stationery | | |
| Reproductive health materials | | |
| Sanitary and cleansing Materials | 190,517 | |
| Purchase of Medical gases | | |
| X-Ray/Radiology supplies | | |
| Other medical related clinical costs (<i>specify</i>) other fuels- charcoal | 137,955 | |
| Refined fuel and lubricants | 99,800 | |
| Total medical/ clinical costs | 4,022,288 | |

16. Employee Costs

| Description | 2021/22 | 2020/21 |
|--|------------------|---------|
| | KShs | KShs |
| Salaries, wages, and allowances | 4,886,304 | |
| Contributions to pension schemes | | |
| Service gratuity | | |
| Performance and other bonuses | | |
| Staff medical expenses and Insurance cover | | |
| Group personal accident insurance and WIBA | | |
| Social contribution | | |
| Other employee costs (<i>specify</i>) | | |
| Employee costs | 4,886,304 | |

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

17. Board of Management Expenses

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

18. Depreciation And Amortization Expense

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

19. Repairs And Maintenance

| Description | 2021/22 | 2020/21 |
|--------------------------------------|-------------------|----------------|
| | KShs | KShs |
| Property- Buildings | 340,000 | - |
| Medical equipment | 219,880 | - |
| Office equipment | | - |
| Furniture and fittings | | - |
| Computers and accessories | | - |
| Motor vehicle expenses | 174,750.00 | - |
| Maintenance of civil works | - | - |
| Total repairs and maintenance | 734,630.00 | - |

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

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

21. General Expenses

| Description | 2021/22 | 2020/21 |
|------------------------------------|----------------|----------------|
| | KShs | KShs |
| Advertising and publicity expenses | - | - |
| Electricity | 173,889.00 | - |
| Catering expenses | 262,700.00 | - |
| Waste management expenses | - | - |
| Insecticides and rodenticides | - | - |
| Audit fees | - | - |
| Bank charges | 5,044.00 | - |
| Conferences and delegations | - | - |
| Consultancy fees | - | - |
| Contracted services | - | - |
| Fuel expenses | 996,950 | - |
| Insurance | - | - |
| Research and development expenses | - | - |
| Travel and accommodation allowance | 343,000.00 | - |
| Legal expenses | - | - |
| Licenses and permits | - | - |
| Courier and postal services | - | - |
| Printing and stationery | 400,200.00 | - |
| Hire charges | - | - |
| Rent expenses | - | - |
| Water and sewerage costs | - | - |
| Skills development levies | - | - |

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| Description | 2021/22 | 2020/21 |
|--|------------------|---------|
| | KShs | KShs |
| Telephone and mobile phone services | 643,250.00 | - |
| Internet expenses | | - |
| Staff training and development | - | - |
| Subscriptions to professional bodies | - | - |
| Subscriptions to newspapers periodical, magazines, and gazette notices | - | - |
| Total General Expenses | 2,825,033 | |

22. Finance Costs

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

23. Gain/Loss on Disposal of Non-Current Assets

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

24. Unrealized Gain on Fair Value Investments

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

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

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

26. Impairment Loss

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

27. Cash And Cash Equivalent

| Description | 2021/22 | 2020/21 |
|--|---------|---------|
| | KShs | KShs |
| Current accounts | 56,260 | - |
| On - call deposits | - | - |
| Fixed deposits accounts | - | - |
| Cash in hand | - | - |
| Others(<i>specify</i>)- Mobile money | - | - |
| Total cash and cash equivalents | - | - |

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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 | 1147478961 | 56,260 | - |
| | | - | - |
| 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 | | 56,260 | - |

28. Receivables From Exchange Transactions

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

Notes to the Financial Statements (Continued)

29. Receivables From Non-Exchange Transactions

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

30. Inventories

| Description | 2021/22 | 2020/21 |
|--|----------------|----------------|
| | KShs | KShs |
| Pharmaceutical supplies | 100,400 | - |
| Maintenance supplies | - | - |
| Food supplies | 50,000 | - |
| Linen and clothing supplies | 29,600 | - |
| Cleaning materials supplies | 28,140 | - |
| General supplies | - | - |
| Less: provision for impairment of stocks | - | - |
| Total | 208,140 | - |

Matuu Level 4 Hospital (Machakos County Government)
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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 | - | - | - | - | - | - | - | - |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Transfers/adjustments | - | - | - | - | - | - | - | - |
| At 30th June 2021 | - | - | - | - | - | - | - | - |
| At 1 st July 2021 | - | - | - | - | - | - | - | - |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Transfer/adjustments | - | - | - | - | - | - | - | - |
| At 30th June 2022 | - | - | - | - | - | - | - | - |
| Depreciation and impairment | | | | | | | | |
| At 1 July 2020 | - | - | - | - | - | - | - | - |
| Depreciation for the year | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - | - | - |
| At 30 June 2021 | - | - | - | - | - | - | - | - |

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| Description | Land | Buildings and Civil works | Motor vehicles | Furniture, fittings, and office equipment | ICT Equipment | Plant and medical equipment | Capital Work in progress | Total |
|-------------------------------------|-------------|----------------------------------|-----------------------|--|----------------------|------------------------------------|---------------------------------|--------------|
| At July 2021 | - | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - | - | - |
| Transfer/adjustment | - | - | - | - | - | - | - | - |
| At 30th June 2022 | - | - | - | - | - | - | - | - |
| Net book values | | | | | | | | |
| At 30 th June 2021 | - | - | - | - | - | - | - | - |
| At 30 th June 2022 | - | - | - | - | - | - | - | - |

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

32. Intangible Assets-Software

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

33. Investment Property

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

34. Trade And Other Payables

| Description | 2021/22 | 2020/21 |
|---|----------------|----------------|
| | KShs | KShs |
| Trade payables | 264,400 | - |
| Employee dues | - | - |
| Third-party payments (<i>unremitted payroll deductions</i>) | - | - |
| Audit fee | - | - |
| Doctors' fee | - | - |
| Total trade and other payables | 264,400 | - |

Matuu Level 4 Hospital (Machakos County Government)
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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 | - | - |
| Credit facility deposit | - | - |
| Rent deposits | - | - |
| Others (<i>specify</i>) | - | - |
| Total deposits | - | - |

36. Provisions

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

37. Finance Lease Obligation

| Description | 2021/22 | 2020/21 |
|----------------------------|---------|---------|
| | Kshs | Kshs |
| Current Lease obligation | - | - |
| Long term lease obligation | - | - |
| Total | - | - |

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

38. Deferred Income

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

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

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

39. Borrowings

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

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Notes to the Financial Statements (Continued)

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

| Description | 2021/22 | 2020/21 |
|------------------------|----------------|----------------|
| | KShs | KShs |
| Current Obligation | - | - |
| Non-Current Obligation | - | - |
| Total | - | - |

40. Service Concession Arrangements

| Description | 2021/22 | 2020/21 |
|--|----------------|----------------|
| | KShs | KShs |
| Fair value of service concession assets recognized under PPE | - | - |
| Accumulated depreciation to date | - | - |
| Net carrying amount | - | - |
| Service concession liability at beginning of the year | - | - |
| Service concession revenue recognized | - | - |
| Service concession liability at end of the year | - | - |

41. Cash Generated from Operations

| | 2021/22 | 2020/21 |
|--|----------------|----------------|
| | KShs | KShs |
| Surplus for the year before tax | | |
| Adjusted for: | | |
| Depreciation | - | - |
| Non-cash grants received | - | - |
| Impairment | - | - |
| Gains and losses on disposal of assets | - | - |
| Contribution to provisions | - | - |
| Contribution to impairment allowance | - | - |
| Working Capital adjustments | | |
| Increase in inventory | - | - |
| Increase in receivables | - | - |
| Increase in deferred income | - | - |
| Increase in payables | - | - |
| Increase in payments received in advance | - | - |
| Net cash flow from operating activities | 56,260 | - |

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:

Notes to the Financial Statements (Continued)

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

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.

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.

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

(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.

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 | Other currencies | Total |
|---|------|------------------|-------|
| | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | |
| Financial assets (investments, cash, debtors) | - | - | - |
| Liabilities | - | - | - |
| Trade and other payables | - | - | - |
| Borrowings | - | - | - |
| Net foreign currency asset/(liability) | - | - | - |

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

| | KShs | Other currencies | Total |
|---|------|------------------|-------|
| | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | |
| Financial assets (investments, cash, debtors) | - | - | - |
| Liabilities | - | - | - |
| Trade and other payables | - | - | - |
| Borrowings | - | - | - |
| Net foreign currency asset/(liability) | - | - | - |

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 | Effect on Profit before tax | Effect on Equity |
|-------------|------------------------------------|--|-----------------------------|
| | Kshs | Kshs | Kshs |
| 2022 | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |
| 2022 | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |

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.

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 0 (2022: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 0 (2022– KShs 0).

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:

| | 2021/22 | 2020/21 |
|---|---------|---------|
| | Kshs | Kshs |
| Revaluation reserve | - | - |
| Retained earnings | - | - |
| Capital reserve | - | - |
| Total funds | - | - |
| Total borrowings | - | - |
| Less: cash and bank balances | - | - |
| Net debt/ (<i>excess cash and cash equivalents</i>) | - | - |
| Gearing | - | - |

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:

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Notes to the Financial Statements (Continued)

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

| Description | 2021/22 | 2020/21 |
|--|---------|---------|
| | Kshs | Kshs |
| Transactions with related parties | | |
| a) Services offered to related parties | | |
| Services to Mwala Level 4 | - | - |
| Sales of services to xxx | - | - |
| Total | - | - |
| b) Grants from the Government | | |
| Grants from County Government | - | - |
| Grants from the National Government Entities | - | - |
| Donations in kind | - | - |
| Total | - | - |
| c) Expenses incurred on behalf of related party | | |
| Payments of salaries and wages for employees | - | - |
| Payments for goods and services | - | - |
| Total | - | - |
| d) Key management compensation | | |
| Directors' emoluments | - | - |
| Compensation to the medical Sup | - | - |
| Compensation to key management | - | - |
| Total | - | - |

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 against the company | - | - |
| Bank guarantees in favour of subsidiary | - | - |
| Total | - | - |

46. Capital Commitments

| Capital Commitments | 2021/22 | 2020/21 |
|-------------------------------|----------------|----------------|
| | Kshs | Kshs |
| Authorised For | - | - |
| Authorised And Contracted For | - | - |
| Total | - | - |

47. Events After the Reporting Period

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

48. Ultimate And Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Health. 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.

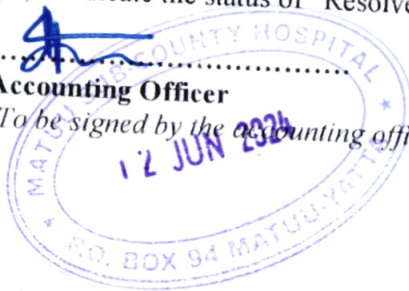
| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---------------------|--------------------------------------|---|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

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 title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---------------|----------------|-------|---------------------|------------------|---|---|
| 1 | | | | | | |
| 2 | | | | | | |

Status of Projects completion

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

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

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APPENDIX IV: Inter-Entity Confirmation Letter

The Machakos County Government 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 Matuu Level 4 Hospital as at 30th June 2022

| Reference Number | Date Disbursed | Recurrent (A) | Development (B) | Inter-Ministerial (C) | Total (D)=(A+B+C) | Amount Received by [beneficiary] (KShs) as at 30 th June 2021 (E) | Differences (KShs) (F)=(D-E) |
|------------------|----------------|------------------|-----------------|-----------------------|-------------------|--|------------------------------|
| | | 5,000,000 | - | - | 5,000,000 | 5,000,000 | - |
| Total | | <u>5,000,000</u> | <u>=</u> | <u>=</u> | <u>5,000,000</u> | <u>5,000,000</u> | <u>-</u> |

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

Head of Accountants department of beneficiary entity:

Name Sign Date

APPENDIX V Reporting of Climate Relevant Expenditures

Matuu Level 4 Hospital

Telephone Number:

Email Address:

Name of Medical Supp/MD/Head: Benjamin Nzomo

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