

REPUBLIC OF KENYA



*Enhancing Accountability*

PARLIAMENT  
OF KENYA  
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

BUMULA SUB-COUNTY LEVEL 4 HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2023

COUNTY GOVERNMENT OF BUNGOMA

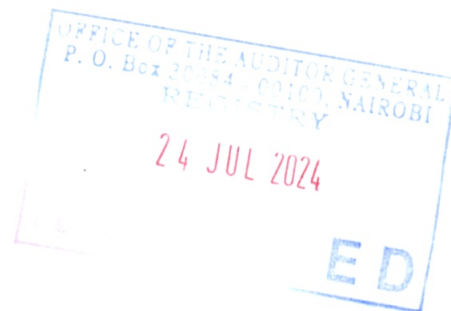
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S.M.L  
Angela



*Bumula Sub County Hospital (Bungoma County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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Issued 30<sup>th</sup> June 2023



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**BUMULA SUB-COUNTY LEVEL IV HOSPITAL  
Bungoma County Government**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

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

*Bumula Subcounty Hospital (Bungoma County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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*Bumula Subcounty Hospital (Bungoma County Government)*  
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## I. Key Entity Information and Management

### a) Background information

Bumula subcounty Hospital is a level 4 hospital established under gazette notice number 365 of 2020 and is domiciled in Bungoma County under the health and sanitation Department. The hospital sits on a 3acre piece of land and is governed by a Board of Management.

### b) Principal Activities

The principal activity/mission/ mandate of the *hospital* is to provide quality health care services to the clients with dignity, professionalism and within shortest time possible.

## VISION

### **To be a centre of excellence in service provision.**

This therefore drives the employees to work harmoniously thus making bumula a multi-speciality hospital, delivering exceptional quality, patient safety and outstanding experience, whilst achieving sustainable growth.

## MISION

To inspire hope and contribute to health and well-being by providing the best care to every patient through integrated clinical practice, education and research

## CORE VALUES

Honesty  
Integrity  
Confidentiality  
Timely  
Trust

### c) Key Management

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

- County department of health
- Subcounty health management team
- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Management team

d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	<b>DR GRAHAM MASIKA</b>
2.	Head of finance	<b>BELINDA MUTORO</b>
3.	Head of supply chain	<b>ROSE WESONGA</b>
4.	Nursing officer in charge	<b>SAMSON ONG'ONG'A-</b>

*(Include all positions regarded as top management in your organisation).*

e) Fiduciary Oversight Arrangements

- Executive Expenditure Committee – The committee that sits together after the hospital management team meeting has discussed the financial report to fine-tune the budget and lay down any priorities that were suggested in the hospital management team meeting.
- Infection Prevention Committee – The committee that ensures that patients and health care workers are protected from avoidable infection.
- Quality Improvement Committee – A committee that ensures better performance and patient outcomes include safe, effective, patient-centred, timely, efficient and equitable patient care
- Waiver Committee – To discuss authenticity of any cases that requested to be waived.
- Inspection Committee – To confirm that supplies which were ordered are the ones delivered, and also confirm the expiry dates of perishable products.
- Antimicrobial resistance Committee – A committee that oversees policies and procedures related to medicines and other health products, together with any drug reactions.
- Emergency Response Committee - A committee that will analyse any emergency initiatives and evaluate effectiveness of emergency preparedness and response.
- Sexual and Gender Based Violence Committee – the committee that addresses problems of sexual and gender-based violence within the community. Such cases are attended to at no cost in the hospital.
- Blood transfusion committee – the committee is entitled to oversee donation and availability of blood and blood products in the facility. It is also entitled to record any adverse reactions following blood transfusion.

**(a) Entity Headquarters**

P.O. Box 901-50200, Bungoma.  
Bumula market centre  
Along Mateka Myanga road  
BUNGOMA, KENYA.

**(b) Entity Contacts**

Telephone: (+254) 706945719  
E-mail: bumulasubcountyhospital@gmail.com

**(c) Entity Bankers**

National Bank (01021054715300)

**(d) Independent Auditors**

Office of the Auditor General  
Anniversary towers University way  
P.O. Box30084  
GPO 00100  
Nairobi, Kenya

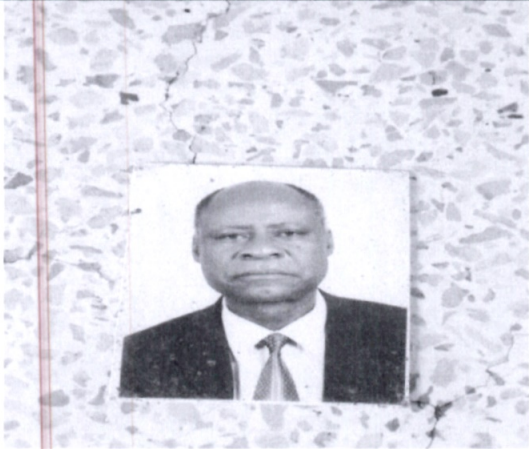

**(e) Principal Legal Adviser**

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



**i) The Board of Management**

Ref	Directors	Details
1.	 <p>CHAIRMAN FRED IKANDA D.O.B 18 March 1974</p>	<p>Dr.Fred Ikanda is a <b>Senior Lecturer</b> in the Department of Sociology and Anthropology at Maseno University in Kenya. He was a commonwealth Scholar at the University of Cambridge where he received his doctorate in Social Anthropology and has published widely and received many academic awards and Honours. Dr Ikanda has served as the Chair of department at <b>Maseno University</b>, and as a Sports Officer at Wolfson College at the <b>University of Cambridge in the UK</b>. He currently sits on various school boards in Bungoma County and is also a member of the board at the <b>British Institute in Eastern</b></p>

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		Africa as well as being a member of the Editorial Advisory Board at Sapiens (USA) and <i>AFRICA/IAI</i> (UK).
2.	 <p>VICE CHAIRPERSON</p>	<p><b>GEORGE WAFULA NABUTOLA</b>  <b>ID: 0423591</b>  Diploma in social sciences, criminology, psychology and sociology.</p>
3.	 <p>MEMBER</p>	<p>GLORIA MUNUYA  ID: 29707528</p>


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4.	 <p>MEMBER</p>	STANLEY BARASA WEKESA ID: 13316540
5.	 <p>Dr.Graham Masika MEDSUP/BOARD SECRETARY</p>	Degree in Medicine and Surgery. Sub county MOH. Secretary to the Board

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### Management Team

Ref	Management	Details
1.	 <p>Medsupt Graham Masika Bachelor In MEDICINE AND SURGERY University of Nairobi.</p>	<p>Medical superintendent MOH Bumula subcounty</p>



Hospital Administrator  
Caren Mabonga

Health  
administrative  
officer.  
Degree in  
Business  
Administration.

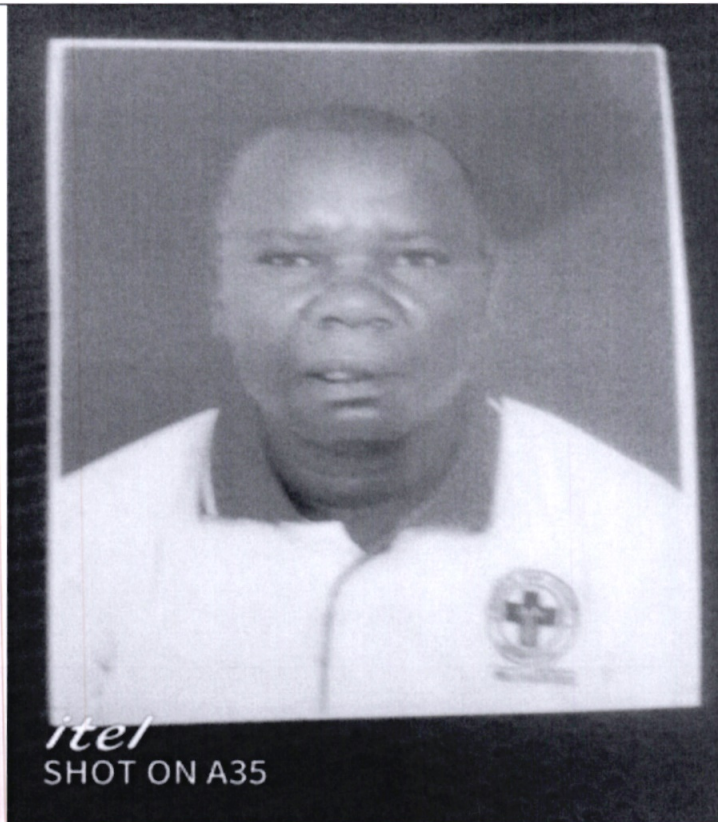
2.



Hospital Accountant  
Belinda Mutoro

Degree in B.COM  
Accounting  
Option.



3.



Nursing officer in charge.  
Bsn in nursing.

4. SAMSON ONG'ONG'GA  
Bachelor of science in Nursing

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5.	 <p>CHARLES SASITA pharmaceutical technologist</p>	Pharmacy in charge/subcounty pharmacist
6.	 <p>Bonventure Natembeya Laboratory technologist</p>	Laboratory officer in charge

## **ii) Chairman's Statement**

It has been three years since the current board embarked on this exciting journey of serving our Bumula Sub-County Hospital. The support extended to us for throughout our tenure by the Bumula community has always been overwhelming. I especially wish to thank the members of the board for their selfless service to the community and the dedicated team at the hospital, led by the medical superintendent and her staff.

When we took over, the facility was still a health centre and has now been upgraded to a sub-County Hospital. A lot has been accomplished during our tenure, including improved health care services through our lobbying for more hospital staff and equipment. We in particular oversaw the completion and commissioning of a modern theatre, and launched the on-going construction of the 100-bed capacity block. Once complete, this project will provide the state of art care to our child and maternal clients and the general public. I sincerely wish to thank the outgoing administration of HE the governor and the county administration as well as community members including Dr Martin Sirengo and others who have made generous donations of equipment to the facility.

This journey has not been without challenges. Our community members are not very economically empowered and we have had to sometimes allow for needy inpatients to be exempted from their obligation of settling their hospital bills. The slow pace of putting up and commissioning projects has sometimes elicited complaints from members of the public. There have been challenges with night shifts and members of the public have again urged us to sensitize staff to be more proactive in being there for them when they come for our services at night. As a board, we depend on the goodwill of the county health officials who

The future is looking bright. It is my hope that the team that will come after us will build on the firm foundation we have laid to transform Bumula sub-County Hospital to greater heights. We shall continue to flourish and may God continue to bless all the stakeholders as we continue this epic journey.

Signature.....*Imuranda*.....date.....*30/6/23*.....

### **iii) REPORT OF THE MEDICAL SUPERINTENDENT**

Bumula Sub-County Hospital is a Level 4 health facility lying on 3-acre piece of land in Bumula ward, Bumula Sub- County. It has a catchment population of 33232. The facility was initially constructed in 1963 as a dispensary. On 11<sup>th</sup> December 1993, the Government of Kenya represented by Mr M.Y Haji upgraded it to a health centre status.

It was later elevated to a sub-county hospital (Level IV); the infrastructure is being upgraded to meet the standard of a Level IV facility. A 100-bed capacity building is in its final stages of completion. This will boost service delivery in Bumula SC Hospital which acts as a referral hospital for the neighbouring dispensaries and health centres in our subcounty.

The facility has seen an increase in numbers of patients seen per month from an average of 3000 outpatient cases in total to 3100 in 2022. A significant increase of over a thousand population.

Bumula Sub- County Hospital has a bed capacity of 21: 10 beds in male ward, 5 female ward, 5 paediatrics ward and 7 in the maternity. Labour ward has 2 delivery couches. This is way below a standard sub-county hospital which should have a bed capacity of 150 with at least 30 beds each in male ward, female ward, paediatric ward, antenatal ward and postnatal ward; labour ward should be spacious and have 3 delivery couches and there ought to be a new born unit with 4 incubators and 2 cots.

Bumula subcounty hospital has 50 technical staff and 43 non-technical staffs. They are employed by national government, county government, partners and hospital board. The overall end-point of the service delivery offered at Bumula SC Hospital is to reduce suffering (morbidity) and death (mortality).

The hospital has been struggling in payment of pending bills due to the following reasons:

- 1) Maternity department was renovated and connected with oxygen piping. Digital weighing scale
- 2) In the previous financial year, NHIF had downgraded our facility level from a sub-county hospital to a health centre. This was done due to the fact that the existing infrastructure and human resource as at that time were for the level of a health centre and not a sub-county hospital. In this financial year, we were reinstated back to level four facility hence offering inpatient services for NHIF clients.
- 3) The hospital is not registered as one of the health facilities offering NHIF inpatient services.

The County Government of Bungoma together with supporting partners have been very instrumental in supporting the hospital to see its upgrade. Therefore, due to this, we are very grateful. In a special way, we would like to express our gratitude to:


1. The Government of Kenya (MOH and the state parastatal NHIF)
2. The County Government of Bungoma, which among other areas of assistance has supported Bumula SC Hospital in - Construction of the theatre - Purchase of medical drugs and non-pharmaceuticals - Purchase of the ultrasound machine - Payment of casual workers, con
3. Implementing partners: World Bank, Save the Children International, Jacaranda Health Services, DUMISHA Afya, IPAS, AFYA UGAVI, Impact Malaria, KMET and E4A for the continued support in both curative and preventive services.
4. Other line ministries including Ministry of Education and Ministry of Interior and Coordination of National Government, Ministry of Internal Security
5. The patients and community around of Bumula Subcounty Hospital
6. All service providers of Bumula subcounty Hospital.

The following projects were undertaken

1. Renovation of the hospital and hospital offices 2
2. Construction of the nursing officer in charge office
- 3 Automation of revenue management and electronic medical records management system
- 4 Completion of the construction of the Installation theatre and its operationalization 5.
- Construction of maternity unit.

**Challenges**

- i. Staff shortage which is getting worse against an increase in clients/patients visiting the hospital
- ii. Additional of more specialized services such as x ray, orthopaedic and dental units.
- iii. Huge amount of pending bills

Sign.......... Date..... 30/6/23

Dr. Graham Masika  
Medical Superintendent

**iv) Statement of Performance Against Predetermined Objectives**

*(Two-to-three pages)*

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

Bumula subcounty hospital has 4 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows;

- i.** Health Service delivery
- ii.** Health Workforce
- iii.** Health Products and Technology
- iv.** Health Information

Bumula subcounty hospital develops its annual work plans based on the above 4 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. Bumula sub county hospital achieved its performance targets set for the FY 2022/2023 period for its 4 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Health Service delivery	To improve general service availability	- Number of outpatient visits per 10,000 population per year -	Renovation of the hospital	<b>Partially done</b>

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		The number of inpatient beds available relative to the total population for the same geographical area		
Health Workforce	To assess whether the size of the current workforce meets a given threshold that should allow the most basic levels of health-care coverage	Number of health workers per 10,000 population	Number of casuals was added hence it bridged the workforce deficiency. –  Distribution of health workers by occupation/specialization	The gap has been reduced.

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	to be achieved  To reduce inequities in the effective provision of health service			
Health Products and Technology	To measure access to essential medicine	Average availability of 14 selected essential medicines per month	Avoid stock-outs of pharmaceuticals and non-pharmaceuticals	
Health Information	To assess capacity for analysis, synthesis and validation of data	Availability and use of indicators with targets and annual reporting to inform annual health sector reviews and other planning cycles	Data validation is done every month, all data sets are uploaded to the KHIS	

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**v) Corporate Governance Statement**

Number of board meetings: One general meeting every quarter and each of the sub-committees also sit once per quarter. The meetings are attended by all members.

Sub-committees:

- Finance Sub-committee
- Quality of Health Care Services Sub-committee
- Audit Sub-committee

Board remuneration:

Chairperson - Kshs 15,000/-

Members - Kshs 10,000/-

The roles and functions of the Hospital Management Board is clarified in the guidelines written in the “Ministry of Medical Services: Hospital Management (March 2011) Process of appointment, induction, training, and conflict of interest, succession plan and governance audit are handled at the county level.

**vi) Management Discussion and Analysis**

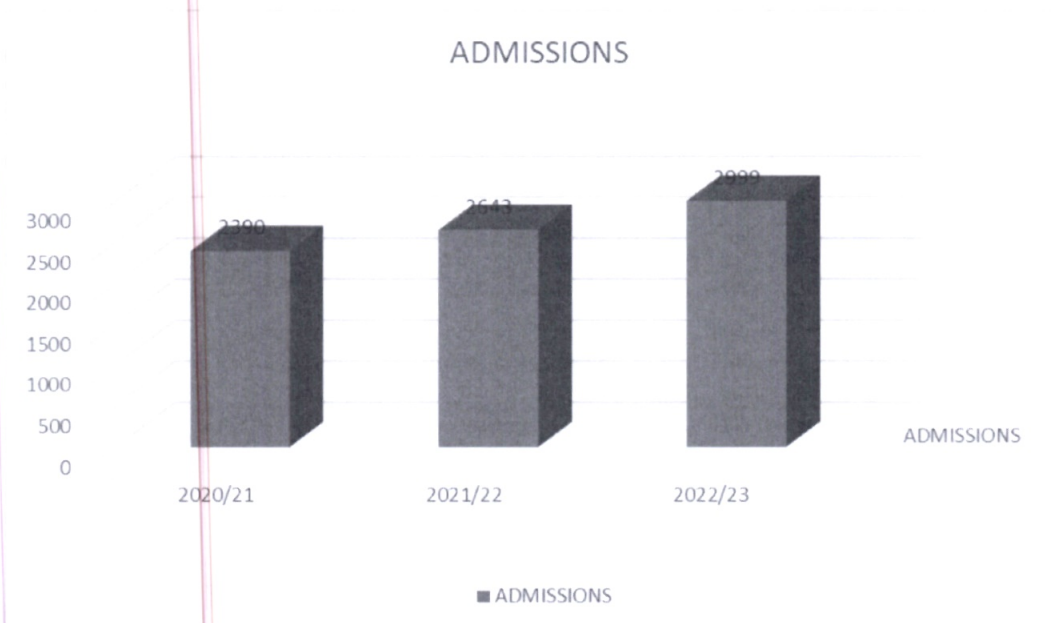
**CLINICAL/OPERATIONAL PERFORMANCE**

- The facility has a Bed capacity of 21; 7 in maternity, 5 in female ward, 5 in paediatric ward and 10 in male ward
- Initially, female and paediatrics were sharing the same ward but as at the end of this financial year, the inpatient department was restructured to accommodate each cohort separately.
- A new facility has been erected (100 bed capacity) that will accommodate labour and delivery, child welfare clinic and family planning. This

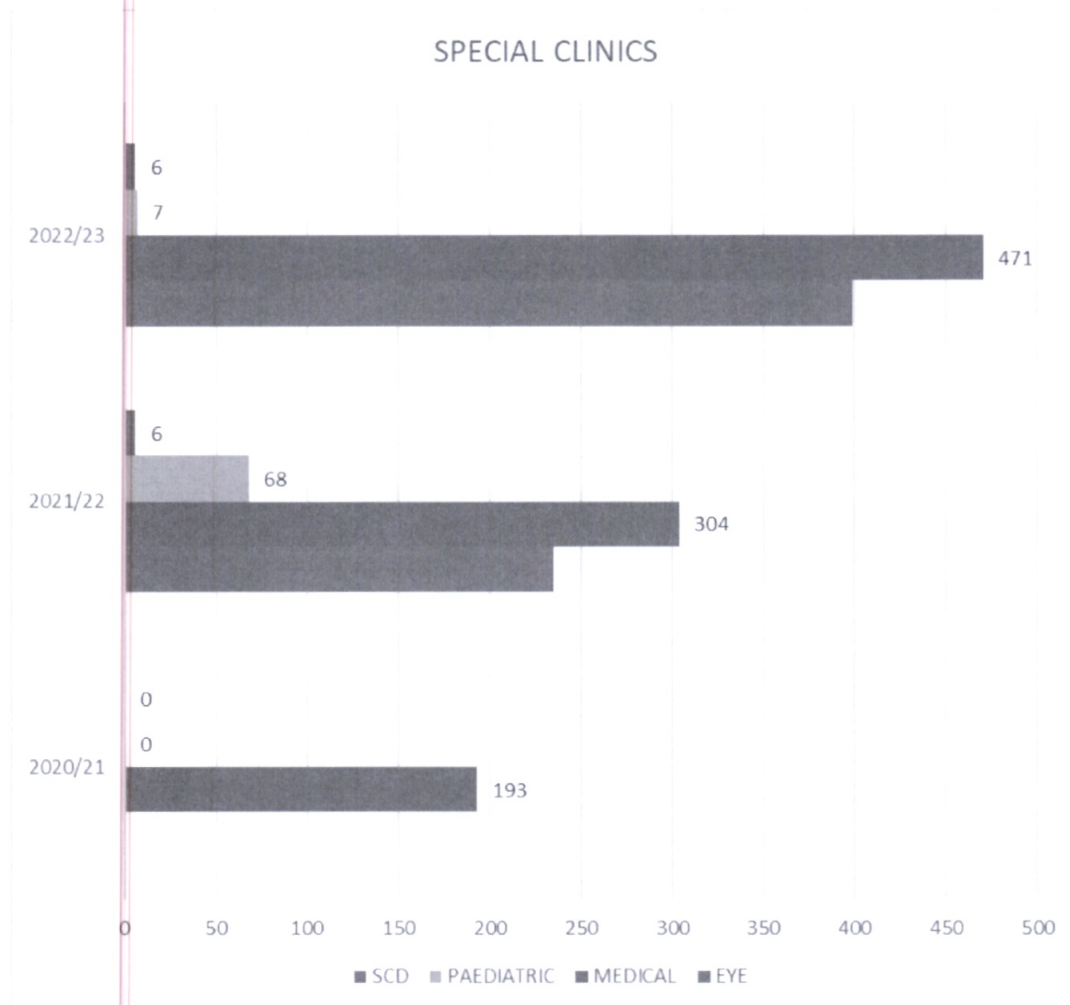
**OUTPATIENT**



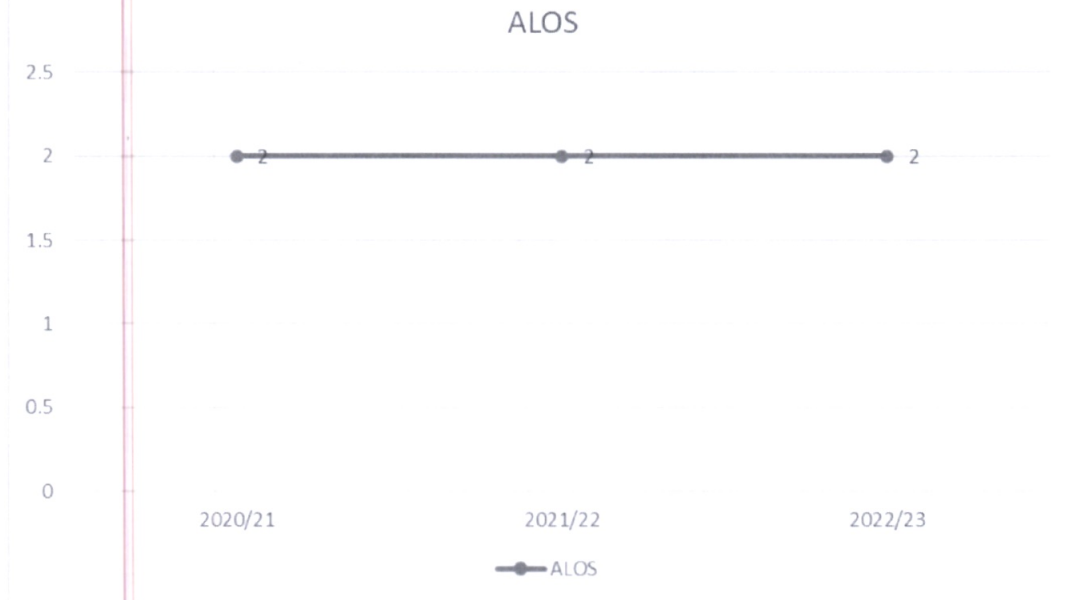
**INPATIENT**



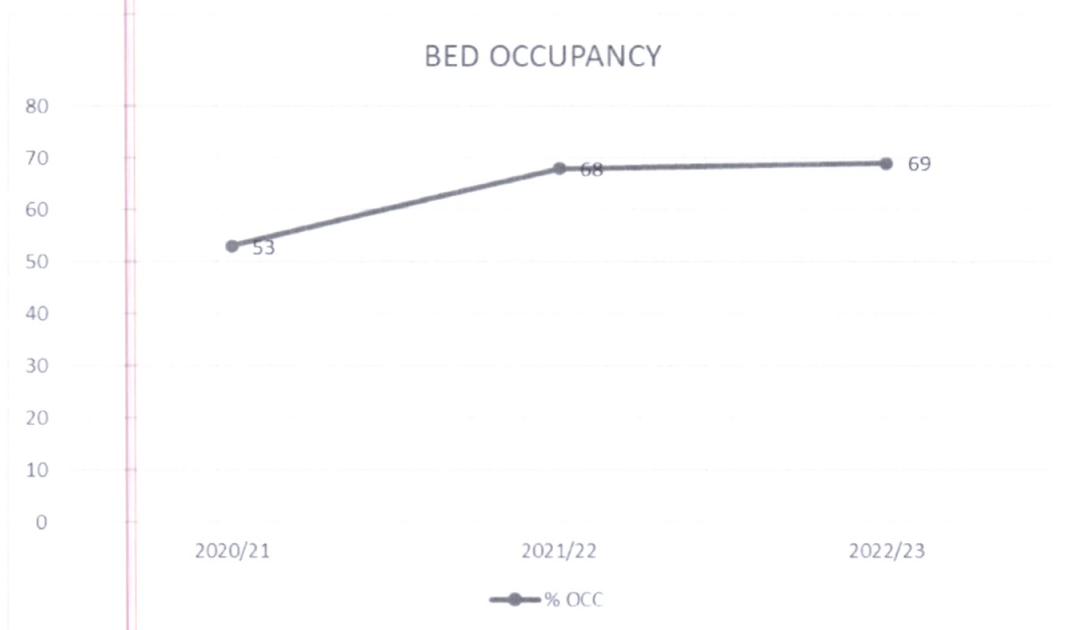
**SPECIALISED CLINIC ATTENDANCE**



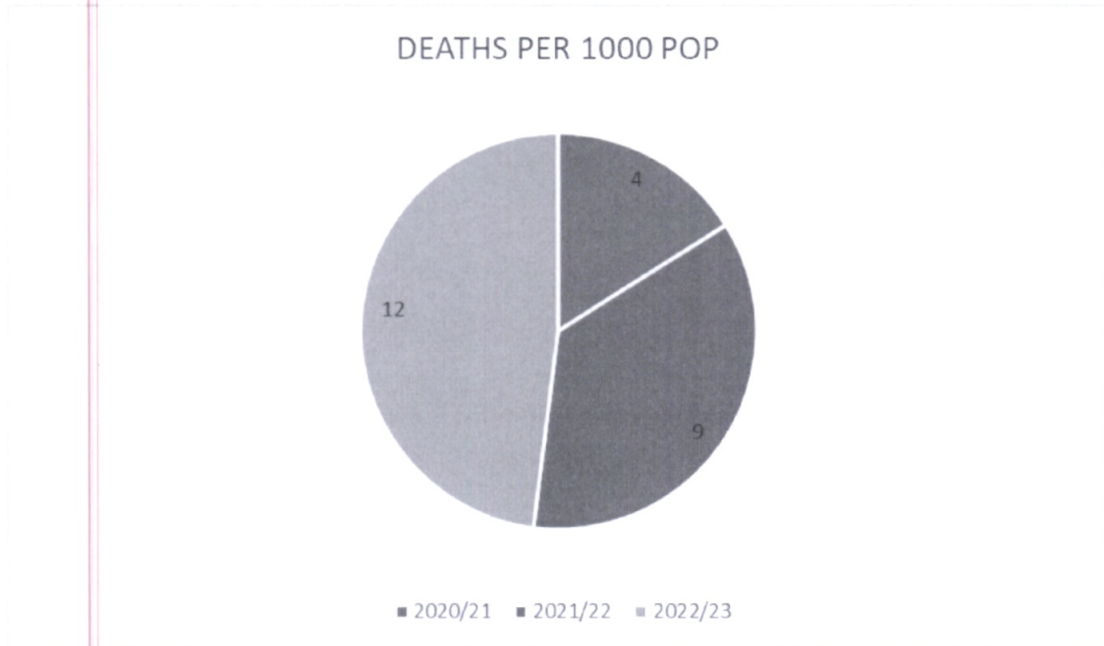
**AVERAGE LENGTH OF STAY FOR INPATIENT**



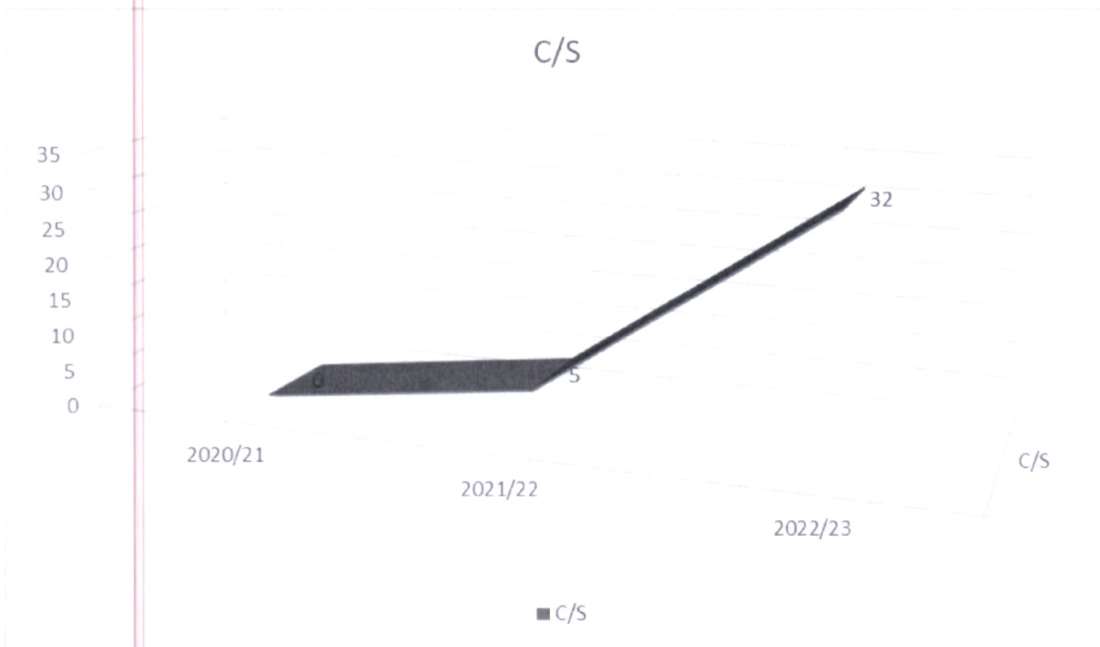
**PERCENTAGE BED OCCUPANCY**



**MORTALITY RATE**



**Surgical theatre utilisation (number of operations over a period of time)**



**Sponsorships and partnerships**

- KANCO
- IMPACT MALARIA
- CREADIS
- SETH
- EVIDENCE ACTION
- AFYA UGAVI
- KENYA REDCROSS SOCIETY
- MARRIE STOPS
- USAID DUMISHA AFYA
- UZIMA FOUNDATION
- TUPIME COUNTY
- JACARANDA HEALTH
- ACE AFRICA
- MWENDO

**Financial performance that includes**

- revenue sources,
  - ❖ NHIF Capitation
  - ❖ Linda mama
  - ❖ Edu Afya
  - ❖ Facility Improvement Fund.
  - ❖ Donations-in terms of Pharmaceuticals and Non-Pharmaceuticals

**vii) Environmental And Sustainability Reporting**

**Two-to-three pages)**

Bumula sub county hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability. *(Tailor make as appropriate).*

***i) Sustainability strategy and profile***

*The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.*

***ii) Environmental performance***

*Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.*

**iii) Employee welfare**

The facility management has given account of the policies guiding the hiring process that consider the gender ratio, stakeholder engagements and how often they are improved.

**iv) Market place practices-**

*The organisation should outline its efforts to:*

**a) Responsible competition practice.**

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

**b) Responsible Supply chain and supplier relations**

*Explain how the organisation maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.*

**c) Responsible marketing and advertisement**

*Outline efforts to maintain ethical marketing practices.*

**d) Product stewardship**

*Outline efforts to safeguard consumer rights and interests.*

**v) Corporate Social Responsibility / Community Engagements**

**viii) Report of The Board of Management**

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

**Principal activities**

The principal activities of the entity are;

- ❖ Quality of care and services
- ❖ Finance and general purpose
- ❖ Audit

**Board Of Management**

The members of the Board who served during the year are shown on page VII and VIII.

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**Board Of Management**

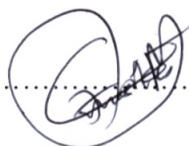
The members of the Board who served during the year are shown on page VII and VIII.

**Auditors**

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

By Order of the Board

Signature.....



Date.....

30/6/23

## **Statement of Board of Management's Responsibilities**

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

The Board of Management is responsible for the preparation and presentation of the annual reporting by accounting officer's financial statements, which give a true and fair view of the state of affairs of the annual reporting by accounting officers for and as at the end of the financial year 2022/23 ended on June 30, 2023. This responsibility includes:

- I. maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- II. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 annual reporting by accounting officers.
- V. selecting and applying appropriate accounting policies.
- VI. making accounting estimates that are reasonable in the circumstances.

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

Nothing has come to the attention of the Board of management to indicate that the annual reporting by accounting officers will not remain a going concern for at least the next twelve months from the date of this statement

**Approval of the financial statements**

The Hospital's financial statements were approved by the Board on 30/6/23 and signed on its behalf by:

**Bumula Subcounty Hospital (Bungoma County Government)**  
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.....  
**Name: Dr. Fred Ikanda.**

**Chairperson**

**Board of Management**



.....  
**Name: Dr Graham Masika.**

**Accounting Officer**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON BUMULA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF BUNGOMA**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Bumula Sub-County Hospital – County Government of Bungoma set out on pages 33 to 68, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial

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

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Bumula Sub-County Hospital - County Government of Bungoma as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 Public Finance Management Act, 2012 , the Bungoma County Health Service Act, 2019 and the Health Act, 2017.

### Basis for Adverse Opinion

#### 1. Errors in Presentation and Disclosure of the Financial Statements

Review of the revised annual reports and financial statements for the year ended 30 June, 2023 revealed the following errors and omissions which were contrary to the guidelines and templates prescribed by the Public Sector Accounting Standards Board:

- i. Page x was left blank.
- ii. Page 32 has not captured the name of the auditor; the writings are omitted.
- iii. The accountant who has signed the Financial statements has not indicated her ICPAK membership number.
- iv. Most of the board of directors' details are not captured except the chairman's.
- v. One of the bank accounts has not been captured under the background information.
- vi. Unnecessary information that do not relate to the entity has not been deleted making the financial statement bloated and busy.
- vii. Wrong opening balances for 2021/22 financial year as detailed below;

Component	2021/2022 Closing Balance (Kshs)	2022/2023 Opening Balance (Kshs)	Un-Explained Variance (Kshs)
Rendering Service	10,860,770	12,159,500	1,298,730
Medical/Clinical Costs	4,550,083	5,094,083	544,000
General Expenses	3,693,006	3,322,436	370,570
Surplus	(2,171)	1,123,126	1,125,297
Cashflow Statement Figures	Refer to financial statement	Not visible	We could not confirm accuracy

- viii. Un-analysed notes to accounts.
- ix. Mis-aligned paragraphs, figures and tables.
- x. In the statement of financial performance, Medical/Clinical Costs reflects an amount of Kshs.9,333,289 while the supporting schedule shows a figure of Kshs.9,289,409 resulting to an un-explained variance of Kshs.43,880.
- xi. Included in the statement of financial performance is a figure of Kshs.6,703,200 relating to medical/clinical costs. However, the supporting ledger schedule indicates a total of Kshs.6,700,800 resulting to un-reconciled variance of Kshs.2,400.
- xii. The statement of cashflow shows net cash flow from operating activities of Kshs.59,320 instead of Kshs.-15,440 resulting to an explained variance of Kshs.43,780.00 caused by wrong entries on Medical/clinical costs.
- xiii. The statement of cashflow captures an amount of Kshs.15,440 as net increase in cash and cash equivalents. If aggregated with Kshs.1,245,649 which the cash opening balance it amounts to Kshs.1,230,209 which differs with cash and cash equivalent closing balance of Kshs.1,186,329.

In the circumstances, the annual reports and financial statements were not prepared in accordance with prescribed Public Sector Accounting Standards Board reporting templates for the year ended 30 June, 2023.

## **2. Unsupported Cash and Cash Equivalents**

The statement of financial position reflects a cash and cash equivalents balance of Kshs.1,186,329 as disclosed in Note 13 to the financial statements. However, a board of survey report, bank statements and bank reconciliation statements were not provided for audit review.

Further, the opening balance of Kshs.1,245,649 as at 1<sup>st</sup> July 2022 was not supported by a bank reconciliation statement.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.1,186,329 could not be confirmed.

## **3. Authenticity of Pending Bills**

### **3.1 Variances in Trade and Other Payables**

The statement of financial position reflects a Nil trade and other payables balance. However, review of documents provided revealed that the Hospital had a pending bill of Kshs.10,424,514 as at 30 June, 2023. This balance excludes Kshs.14,400 owed to Kenya Medical Supplies Authority (KEMSA) as per their records resulting to unexplained variance of Kshs.10,438,914.

In the circumstances, the accuracy, and completeness of trade and other payable Nil balance could not be confirmed.

#### **4. Unconfirmed Inventory Balance**

The statement of financial position reflects Nil inventory balance. However, there is no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30<sup>th</sup> June 2023.

In the circumstances, the accuracy, completeness and valuation of the Nil balance could not be confirmed.

#### **5. Non-Disclosure of Property, Plant and Equipment**

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

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

#### **6. Non-Disclosure of Employee Costs Paid by the County Government**

Note 9 to the financial statements reflects casuals and contractual staff amount of Kshs.6,703,200. The Hospital received services from unknown number of medical staff employed and paid by the county. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit verification.

In the circumstances, the accuracy and completeness of employee costs of Kshs.6,703,200 could not be confirmed.

#### **7. Management of National Health Insurance Fund (NHIF) Claims**

##### **7.1 Variances in Receivables from Exchange Transaction (NHIF)**

The statement of financial position reflects Nil balance in respect of receivables from exchange transactions. The Nil balance relates to National Health Insurance Fund (NHIF) whose records indicate a balance of Kshs.1,177,000 resulting to un-explained variance of Kshs.1,177,000. Further, the amount has been outstanding for more than (12) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within thirty (30) days of submission.

In the circumstances, the accuracy and completeness of the Nil balance in respect of receivables from exchange transactions could not be confirmed. Further the recoverability of the Kshs.1,177,000 could not be confirmed.

## **7.2 Variances in Revenue from Rendering Services**

The statement of financial performance reflects Kshs.6,997,420 in respect of NHIF medical reimbursement as disclosed in Note 7 to the financial statements. However, the NHIF reimbursement records revealed an amount of Kshs.7,363,600 resulting to an unexplained variance of Kshs.366,180.

In the circumstances, the accuracy and completeness of revenue from rendering services of Kshs.6,997,420 could not be confirmed.

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts in page 37 of the Financial Statement reflects a final Revenue (Rendering of Service Medical Services) budget of Kshs.24,078,179 and actual on comparable basis of Kshs.15,303,097 resulting to an under-collection of Kshs.8,775,082 or 29% of the budget.

The same statement reflects total expenditure budget of Kshs.30,342,816 and an actual on comparable basis of Kshs.22,065,617 resulting to an under-expenditure of Kshs.8,277,199 or 27% of the budget.

The under-collection and under-expenditure may affect the planned activities and may have negatively impacted on service delivery to the public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229 (6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on

Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and effectively.

## **Basis for Conclusion**

### **1. Failure to Maintain Fixed Assets Register**

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

### **2. Late Submission of Financial Statements**

The Management of Bumula Sub-County Hospital submitted the financial statements for the year ended 30 June, 2022 to the Office of the Auditor-General on 9 October, 2023, more than 9 days after the statutory deadline of 30 September, 2023 contrary to Section 149(2)(k) of the Public Finance Management Act, 2012 which states, *inter alia*, that an Accounting Officer shall, in respect of the entity concerned, not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

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

### **3. Role of Hospitals in Universal Health Coverage (UHC)**

#### **3.1 Deficiencies in Implementation of Universal Health Coverage (UHC)**

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy guidelines due to staff deficits by 70 staff or 69% of the authorized establishment.

<b>S/No.</b>	<b>Category</b>	<b>Requirement</b>	<b>In-Post</b>	<b>Deficit</b>	<b>Deficit/ Surplus %</b>
1.	Medical Officers	16	3	13	81
2.	Anaesthesiologists	2	0	2	100
3.	Surgeons	2	0	2	100
4.	Gynaecologists	2	0	2	100
5.	Paediatrics	2	0	2	100
6.	Radiologists	2	1	1	50

S/No.	Category	Requirement	In-Post	Deficit	Deficit/ Surplus %
7.	Kenya Registered Community Health Nurses	75	27	48	64

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

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

#### **4. Identification, Collection and Accounting of own Generated Revenue**

##### **4.1 Failure to Transfer Revenue to the County Revenue Fund**

The statement of financial performance reflects rendering services – medical services income of Kshs.15,303,097 as disclosed in Note 7 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of Public Finance and Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the county exchequer amount all receipts due to the County Revenue Fund.

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

##### **4.2 Lack of Quarterly Revenue Reports**

The statement of financial performance reflects Kshs.15,303,097 in relation to the rendering of services – medical income as disclosed in Note 7 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 as per the requirement of Regulations 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 15<sup>th</sup> day after the end of the quarter.

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

#### **5. Compliance with Laws on Staff Management**

##### **5.1 Irregular Engagement of Casual Workers**

Note 9 to the financial statements reflects casuals and contractual staff amount of Kshs.6,703,200. It was noted that the Management engaged casual workers for more than three months. This was contrary to the County Public Service Human Resources Manual, May 2013 Section B.16(1) which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and

they shall not be engaged for more than three months, as stipulated in the Employment Act, 2007.

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

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1. Failure to Establish an Audit Committee and Operational Internal Audit Unit**

During the year under review, the Hospital did not establish an audit committee. Further, no evidence to confirm that the Hospital was audited by the Internal Audit Unit from the County Executive of Bungoma. 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. In the circumstances, the Hospital operated without a mechanism for assessing and mitigating financial and operational risks.

In the circumstances, the effectiveness of the internal controls on inventories management could not be confirmed.

#### **2. Lack of Risk Management Framework**

During the year under review, the Hospital operated without a documented risk management policy framework. In addition, there was no evidence of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on entities' operation.

In the circumstances, effectiveness of risk management system at the Hospital could not be confirmed

### **3. Information and Communication Technology (ICT) Internal Control Weaknesses**

It was observed that the Hospital does not have an ICT strategic committee, ICT strategic plan, or an ICT policy. In addition, the Hospital does not have a disaster recovery and business continuity plan and an offsite backup plan in case of any emergencies/disasters.

In the circumstances, the effectiveness of internal controls on data recovery and business continuity could not be confirmed.

### **4. Inventory Management**

#### **4.1 Expired Medical Supplies**

The statement of financial position reflects a Nil inventory balance. Review of stores records on pharmaceuticals and non-pharmaceuticals revealed that there were quite number of expired assorted drugs of undetermined value weighing approximately 530kgs. In addition, the stock cards used in controlling drugs did not indicate the batch number and expiry dates to guide in issuing drugs on First Expiry First Out (FEFO) basis.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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


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

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

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

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

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

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**08 July, 2024**

**Bumula Subcounty Hospital (Bungoma County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**ix) Statement of Financial Performance for The Year Ended 30 June 20223**

Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
In-kind contributions from the County Gov	6	6,703,200.00	-
		<b>6,703,200.00</b>	-
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Incon	7	15,303,097.10	12,159,500
<b>Revenue from exchange transactions</b>		<b>15,303,097.10</b>	<b>12,159,500</b>
<b>Total revenue</b>		<b>22,006,297.10</b>	<b>12,159,500</b>
<b>Expenses</b>			
Medical/Clinical costs	8	9,333,289.00	5,094,083
Employee costs	9	6,703,200.00	-
Board of Management Expenses	10	256,600.00	872,200
Repairs and maintenance	11	1,934,570.00	1,747,655
General expenses	12	3,837,958.00	3,322,436
<b>Total expenses</b>		<b>22,065,617.00</b>	<b>11,036,374</b>
<b>Total other gains/(losses)</b>		-	-
<b>Net Surplus for the year</b>		<b>(59,319.90)</b>	<b>1,123,126</b>

The Hospital's financial statements were approved by the Board on 30/6/23 and signed on its behalf by:

.....  
**Chairman:**  
**Dr.Fred Ikanda**

.....  
**Head of Finance**  
**Belinda Mutoro**

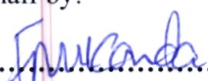
.....  
**Medical Superintendent**  
**Dr. Graham Masika**

**Bumula Subcounty Hospital (Bungoma County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**X)Statement of financial position as at June 2023**

Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	1,186,329	1,245,649
<b>Total Current Assets</b>		<b>1,186,329</b>	<b>1,245,649</b>
<b>Total assets</b>		<b>1,186,329</b>	<b>1,245,649</b>
<b>Net assets</b>			
Accumulated surplus/Deficit		1,186,329	1,245,649
<b>Total Net Assets and Liabilities</b>		<b>1,186,329</b>	<b>1,245,649</b>

The Hospital's financial statements were approved by the Board on 30/6/23 and signed on its behalf by:

.....  


Chairman:  
**Dr.Fred Ikanda**  
 Board of Management

.....  


Head of Finance:  
**B.Mutoro**  
 ICPAK No:

.....  


Medical Superintendent  
**Dr.Graham Makokha.**

**Bumula Sub- County Hospital (Bungoma County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**x) Statement of Changes in Net Asset for The Year Ended 30 June 2023**

	Accumulated surplus/Deficit	Total
<b>As at July 1, 2021</b>	<b>122,523</b>	<b>122,523</b>
Surplus/(deficit) for the year	1,123,126	1,123,126
<b>As at June 30, 2022</b>	<b>1,245,649</b>	<b>1,245,649</b>
		-
<b>At July 1, 2022</b>	<b>1,245,649</b>	<b>1,245,649</b>
Surplus/(deficit) for the year	(59,320)	(59,320)
<b>At June 30, 2023</b>	<b>1,186,329</b>	<b>1,186,329</b>

(Note:

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

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

The Hospital's financial statements were approved by the Board on 30/6/23 and signed on its behalf by:

**xi) Statement of Cash Flows for The Year Ended 30 June 2023**

Description		2022/2023	2021/20
	Note	KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants from donors and development partners			
Rendering of services- Medical Service Income		15,303,097	12,1
<b>Total Receipts</b>		<b>15,303,097</b>	<b>12,1</b>
<b>Payments</b>			
Medical/Clinical costs		9,333,289	5,0
Employee costs		-	
Board of Management Expenses		256,600	8
Repairs and maintenance		1,934,570	1,7
General expenses		3,837,958	3,3
<b>Total Payments</b>		<b>15,362,417</b>	<b>11,0</b>
<b>Net cash flows from operating activities</b>	14	<b>(59,320)</b>	<b>1,1</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, & intangible assets			
<b>Net cash flows used in investing activities</b>		<b>-</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(59,320)</b>	<b>1,1</b>
Cash and cash equivalents at 1 July	13	1,245,649	
<b>Cash and cash equivalents at 30 June</b>	13	<b>1,186,329</b>	<b>1,2</b>

**Bumula Sub- County Hospital (Bungoma County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**


**xii) Statement Of Comparison of Budget and Actual Amounts for The Year Ended 30 June 2023**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Transfers from the County Government	6,703,200		6,703,200	6,703,200	-	100%
Public contributions and donations				-	-	0%
Rendering of services- Medical Services	18,650,437	5,427,742	24,078,179	15,303,097	8,775,082	64%
<b>Total income</b>	<b>25,353,637</b>	<b>#####</b>	<b>30,781,379</b>	<b>22,006,297</b>	<b>#####</b>	<b>71%</b>
<b>Expenses</b>						
Medical/Clinical costs	11,235,524	5,427,742	16,663,266	9,333,289	7,329,977	56%
Employee costs	6,703,200		6,703,200	6,703,200	-	100%
Board of Management Expenses	730,549	-	730,549	256,600	473,949	35%
Repairs and maintenance	2,211,170	-	2,211,170	1,934,570	276,600	87%
General expenses	4,034,631	-	4,034,631	3,837,958	196,673	95%
Total Expenditure	<b>24,915,074</b>	<b>#####</b>	<b>30,342,816</b>	<b>22,065,617</b>	<b>#####</b>	<b>73%</b>
<b>Surplus for the period</b>	<b>438,563</b>	<b>-</b>	<b>438,563</b>	<b>(59,320)</b>	<b>497,883</b>	
<b>Capital expenditure</b>	<b>438,563</b>	<b>-</b>	<b>438,563</b>		<b>438,563</b>	

**(Budget notes**

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

The notes set out on pages x to xx form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 30/6/23 and signed on its behalf by:

.....  


.....  
**Chairman**  
**Board of Management**

.....  


.....  
**Head of Finance**  
**ICPAK No:**

.....  


.....  
**Medical Superintendent**

**xiii) Notes to the Financial Statements**

**1. General Information**

**2. Statement of Compliance and Basis of Preparation**

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

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

### **3. Adoption of New and Revised Standards**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> 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><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></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"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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>

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Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

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

**ii. Early adoption of standards**

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

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other Government entities**

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

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*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 2022/23 was approved by Board on .....  
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 bumula sub county hospital on the FY 2022/23 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

**Notes to the Financial Statements (Continued)**

**c) Taxes**

**Sales tax/ Value Added Tax**

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

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

**d) Investment property**

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

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

**e) Property, plant and equipment**

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

as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in

a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

***Notes to the Financial Statements (Continued)***

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

**Notes to the Financial Statements (Continued)**

**h) Research and development costs**

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

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

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

**i) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

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

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering 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 considering 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 considering 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.

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

**Notes to the Financial Statements (Continued)**

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

**Contingent liabilities**

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

**Contingent assets**

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

**k) Nature and purpose of reserves**

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

**l) Changes in accounting policies and estimates**

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

**m) Employee benefits**

**Retirement benefit plans**

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

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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, 2023.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions**

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

*Notes to the Financial Statements (Continued)*

**Useful lives and residual values**

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

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

**Provisions**

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

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

*Notes to the Financial Statements (Continued)*

**6. In Kind Contributions from The County Government**

Description	2022/2023	2021/2022
	KShs	KShs
Salaries and wages	6,703,200	
<b>Total grants in kind</b>	<b>6,703,200</b>	<b>-</b>

**7. Rendering of Services-Medical Service Income**

Description	2022/2023	2021/2022
	KShs	
Pharmaceuticals	1,229,240	1,222,290
Non-Pharmaceuticals	4,641,662	461,760
Laboratory	636,870	676,780
Radiology	170,750	214,400
CONSULTATION	316,820	164,980
INPATIENT OUTPATIENT	1,310,335	1,148,050
NHIF REIMBURSEMENT	6,997,420	8,271,240
<b>Total revenue from the rendering of services</b>	<b>15,303,097</b>	<b>12,159,500</b>

**8. Medical/ Clinical Costs**

Description	2022/2023	2021/2022
	KShs	
Laboratory chemicals and reagents	474,668	658,345
Food and Ration	3,433,733	1,677,425
Dressing and Non-Pharmaceuticals	2,933,100	774,893
Pharmaceutical supplies	1,249,813	1,038,691
Medical Expenses	614,800	342,849
Sanitary and cleansing Materials	551,613	544,000
Purchase of Medical gases	75,562	57,880
<b>Total medical/ clinical costs</b>	<b>9,333,289</b>	<b>5,094,083</b>

**9. Employee Costs**

Description	2022/2023	2021/2022
	KShs	
Salaries, wages, and allowances	6,703,200	
<b>Employee costs</b>	<b>6,703,200</b>	<b>-</b>

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10. Board of Management Expenses		
Description	2022/2023	2021/2022
	KShs	KShs
Sitting allowance	256,600	872,200
<b>Total</b>	<b>256,600</b>	<b>872,200</b>

11. Repairs And Maintenance		
Description	2022/2023	2021/2022
	KShs	KShs
Property- Buildings	1,070,300.00	490,430.00
Medical equipment	191,050.00	
Computers and accessories	78,500.00	203,000.00
Motor vehicle expenses	494,720.00	1,054,225.00
Maintenance of Plant	100,000.00	
<b>Total repairs and maintenance</b>	<b>1,934,570.00</b>	<b>1,747,655.00</b>

12. General Expenses		
Description	2022/2023	2021/2022
	KShs	KShs
Catering expenses	75,000	
Internet expenses	318,000	91,200
Bank charges	39,698	65,930
General office supplies	88,500	
Electricity expenses	411,780	609,296
Travel and accommodation allowance	893,300	1,648,400
Printing and stationery	715,080	259,180
Refine fuel and other fuels	1,166,600	277,430
Water and sewerage costs		150,000
Telephone and mobile phone services	130,000	81,000
Household Appliances		140,000
<b>Total General Expenses</b>	<b>3,837,958</b>	<b>3,322,436</b>

13. Cash And Cash Equivalents		
Description	2022/2023	2021/2022
	KShs	KShs
Current accounts	1,186,329	1,245,649
<b>Total cash and cash equivalents</b>	<b>1,186,329</b>	<b>1,245,649</b>

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<b>13 (a). Detailed Analysis of Cash and Cash Equivalents</b>			
<b>Description</b>		<b>2022/2023</b>	<b>2021/2022</b>
<b>Financial Institution</b>	<b>Account number</b>	<b>KShs</b>	<b>KShs</b>
<b>a) Current account</b>			
National Bank Bungoma	0121054715300	<b>1,177,939</b>	<b>1,237,259</b>
Cooperative Bank		8,390	8,390
<b>Grand total</b>		<b>1,186,329</b>	<b>1,245,649</b>

**14. Cash Generated from Operations**

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>KShs</b>	<b>KShs</b>
<b>Surplus for the year before tax</b>		
<b>Adjusted for:</b>	(59,320)	1,123,126
<b>Net cash flow from operating activities</b>	<b>(59,320)</b>	<b>1,123,126</b>

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

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***Notes to the Financial Statements (Continued)***

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxxx

The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

**(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:

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.

*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.

**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 xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs xxx).

**iv) Capital Risk Management**

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

**27 Related Party Balances**

**Nature of related party relationships**

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

**Government of Kenya**

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

**Notes to the Financial Statements (Continued)**

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

Description	2022/23	2021/22
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**Notes to the Financial Statements (Continued)**

**28 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)*

**29 Contingent Liabilities**

*(Give details)*

**30 Capital Commitments**

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

**31 Events After the Reporting Period**

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

**32 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.

**33 Currency**

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

xiv) **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.

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

**APPENDIX II: Projects Implemented by The Entity**

**Projects**

Projects implemented by the Hospital Funded by development partners

**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)*

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


[Insert name of beneficiary entity]  
 [Insert Address]

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

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 <sup>th</sup> June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 <sup>th</sup> June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
<b>Total</b>							

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

**Head of Accountants department of beneficiary entity:**

Name .....Dr Graham Masika ..... Sign .....  ..... Date ...30/6/23

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Name of the Organization BUMULA SUB-COUNTY HOSPITAL

Telephone Number 0705047173

Email Address bumulasubcountyhospital@gmail.com

Name of Medical Supp/MD/Head Dr. Graham Masika

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



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