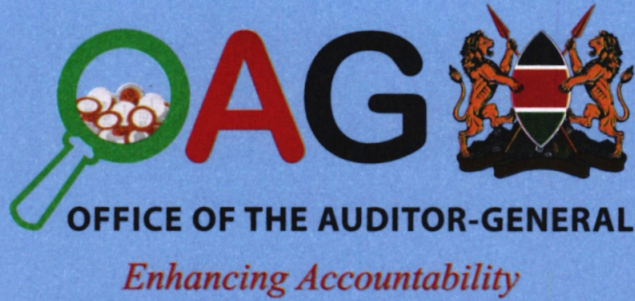


REPUBLIC OF KENYA



REPORT

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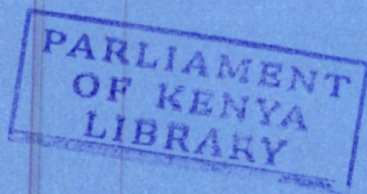
THE AUDITOR-GENERAL

ON

MAKINDU LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF MAKUENI



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.
14 JUN 2024
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REPUBLIC OF KENYA



GOVERNMENT OF MAKUENI COUNTY



COUNTY DEPARTMENT OF HEALTH
MAKINDU SUB COUNTY HOSPITAL
P.O. BOX 81-90138 MAKINDU Tel No. : 0743648940
Email: makinduhosi2009@gmail.com/makindu.hospital@makueni.go.ke

MAKINDU SUB COUNTY HOSPITAL
LEVEL 4 HOSPITAL
(MAKUENI COUNTY GOVERNMENT)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

DATE	18/09/24
TABLED BY	M.leader
COMMITTEE	Tjato
APPROVED BY	
DATE	

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023



Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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1. Acronyms & Glossary of Terms

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

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Makindu Sub-County Hospital is a level 4 hospital established under gazette notice number 4 of January 1989. The facility is registered under Medical Practitioners and Dentists Act (Cap 253) and her registration number is GK-008140. She is domiciled in Makueni County under the health Department. The hospital is governed by a Health management committee comprised of 6 community representatives, 3 ex-officials (Sub-county administrator, SCMOH and Deputy county commissioner) and the medical superintendent as secretary. The board has two main subcommittees namely: Primary healthcare and quality subcommittee, and Finance and general-purpose subcommittee.

Daily operations are carried out through hospital management team comprised of 40-unit heads. On financial matters, the hospital executive expenditure committee (top organ of HMT) comprising the Medical superintendent, hospital health administrator, procurement officer, accountant, nursing manager and hospital pharmacist prioritize activities and prepare budgets for approval by the hospital board.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide curative, rehabilitative and promotive health services.

Vision

A unique and exemplary hospital in public healthcare service provision

Mission

To bring hope and satisfaction to our clients by providing compassionate and empathic health services that are safe, timely and responsive to their needs.

Core objectives

Health Pillar	Strategic Objectives
<i>Service Delivery</i>	<ol style="list-style-type: none"> 1. Strengthen service integration 2. Improve quality of services & amenities 3. Reduce waiting time and duration of inpatient stay 4. Strengthen waste management and IPC

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<i>Health Workforce (Staffing)</i>	<ol style="list-style-type: none"> 1. Reduce staffing gap 2. Increase individual productivity 3. Adopt positive attitude and good interpersonal relations 4. Strengthen team work, individual and collective responsibility
<i>Medical Products and Technologies</i>	<ol style="list-style-type: none"> 1. Bridge supply gaps 2. Reduce wastage, pilferage and theft 3. Strengthen rational drug use 4. Introduce new commodities and services e.g., eye drugs, culture & sensitivity testing
<i>Health Information</i>	<ol style="list-style-type: none"> 1. Improve records management 2. Strengthen accurate documentation and reporting 3. Adopt factual (use of data) decision making
<i>Financing</i>	<ol style="list-style-type: none"> 1. Harmonize and review service costing 2. Increase revenue generation 3. Reduce inappropriate waivers and exemptions
<i>Stewardship</i>	<ol style="list-style-type: none"> 1. Develop capacity on managerial skills e.g., mentorship 2. Strengthen departmental supervision activities 3. Evaluate and streamline critical system processes 4. Strengthen collaboration with partners and other sectors

(c) Key Management

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

- County department of health
- Hospital management committee(HMC)
- Accounting Officer/ Medical Superintendent
- Hospital executive expenditure committee
- Hospital management team(HMT)

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

	Designation	Name
1.	Medical Superintendent	Dr. Patrick Mutinda
2.	Health Administrative Officer	Mr. Lawrence Mulungye
3.	Nursing Officer In-charge	Mr. Damiano Muriuki
4.	Head of finance	Mrs. Christine Mutuku
5.	Head of supply chain	Mr. Daniel Musili

(d) Fiduciary Oversight Arrangements

Clinical Research and Standards Committee.

We have a functional clinical committee which meets on monthly basis to ensure adherence to quality care, mortality audits and other relevant clinical objectives are met. It assists the hospital in ensuring that quality standards are adhered, patient safety is ensured and medical errors are minimized.

The Committee is responsible for:

- Review the weekly ward round reports
- Review and reprioritize the utilization of Hospital clinical resources
- Review performance targets for clinical units
- Review various research findings and related policy documents
- Review clinical audit reports and follow-up on implementation of recommendations

Risk Committee and Audit committee

The Committee assists the health management committee in fulfilling its corporate governance responsibilities and in particular to strengthen the effectiveness of the internal audit function; maintaining oversight on internal control systems; provision of general oversight in risk and compliance matters; and ensuring quality, integrity, effectiveness and reliability of the Hospital's risk management framework. The Committee held four (4) regular meetings in the year under review.

Hospital management team (HMT)

Hospital management committee consists of head of departments. It is chaired by the medical superintendent and the secretary is health administrative officer. The members meet on monthly basis to discuss, evaluate and strategies on day to day running of the hospital. Members share the departmental reports, data analysis and the trends of utilization of services.

Executive Expenditure committee

This committee consists of the executive managers who meet on monthly basis to check the expenditure of the hospital. This committee comprises of 6 members who are the Medical superintendent, hospital health administrator, procurement officer, accountant, nursing manager and hospital pharmacist.

Key Entity Information and Management (continued)

(a) Entity Headquarters

P.O. Box 89-90300
MAKUENI

(b) Entity Contacts

Telephone: (+254) 0743648940
E-mail: makinduhosi2009@gmail.com / makindu.hospital@makueni.go.ke
Website: www.makueni.go.ke

(c) Entity Bankers

Kenya commercial bank, Makindu

(d) Independent Auditors

Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
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


(f) County Attorney

P.O. Box. 78-90300
Makueni, Kenya

3. The Board of Management


Ref		Directors	Details
1.		Eng. Daniel Muli <ul style="list-style-type: none"> ➤ Civil Engineer ➤ Director Dannex Construction Company 	Chairman of HMC
2.		Dr. Patrick Mutinda MBChB(moi) 2010 Senior Registrar MMED Family medicine	Secretary of HMC
3.		Bishop Benard Mutuku <ul style="list-style-type: none"> ➤ Honorary Doctor of Divinity ➤ Diploma in Education ➤ Age-60 years ➤ Work experience-26 years 	Member of HMC
4.		Mr. Thomas Mutuku Makete <ul style="list-style-type: none"> ➤ Retired Kenya Army Officer ➤ Age-65 years ➤ Work experience 35 years 	Member of HMC
5.		Mrs Esther Mbatia <ul style="list-style-type: none"> ➤ Certificate in adult Education ➤ Age-46 years ➤ Work experience -20 years 	Member of HMC
6.		Mr. Samuel Musyoki Kalani <ul style="list-style-type: none"> ➤ Diploma in business Management & Bachelor in theology ➤ Age- 66 years ➤ Working experience-33 years 	Member of HMC

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7.		<p>Ms Riziki Kikanga</p> <ul style="list-style-type: none"> ➤ Diploma in social work & community Development ➤ Certificate in counselling ➤ Age -37 years ➤ Work experience-16 years 	Member of HMC
8.		<p>Mrs. Victoria Ndanu</p> <ul style="list-style-type: none"> ➤ Master degree economic statistics ➤ Age-29 years ➤ Working experience-7 years 	Member of HMC
9.		<p>Deputy County commissioner Moses G. Gicharu.</p> <ul style="list-style-type: none"> ➤ Bachelor degree in economics and sociology ➤ Age-50 years ➤ Work experience-20 years 	Ex-official
10.		<p>Sub-County Medical Officer of Health -Dr. Benard Mutunga</p> <ul style="list-style-type: none"> ➤ Bachelor Degree in Pharmacy ➤ Age-35 years ➤ Work experience-11 years 	Ex-official
11.		<p>Sub-County Administrator</p> <ul style="list-style-type: none"> ➤ Williamson Maundu Katwii. ➤ MBA Masters in Business Administration ➤ Bachelors degree I education ➤ Age 47 ➤ Work experience -16 years 	Ex-official

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

4. Hospital management team (HMT)

No.	Name and Designation	Responsibility	Details
1.	Dr Patrick Mutinda 	Chairman to the Management team	<ul style="list-style-type: none"> ➤ Medical Superintendent ➤ MBChB (moi) 2010) ➤ Senior registrar MMED family medicine
2.	Mr. Lawrence Mulungye 	Secretary	<ul style="list-style-type: none"> ➤ Hospital Health Administrative Officer ➤ Head of administration ➤ Higher diploma in administration.
3.	Mr. Damiano Muriuki 	Member	<ul style="list-style-type: none"> ➤ Nursing Officer In-charge ➤ Head of nursing services ➤ Diploma in nursing
4.	Mrs. Christine Mutuku 	Member	<ul style="list-style-type: none"> ➤ Head of finance ➤ Bachelor degree in Business Management -Finance ➤ CPAK. ➤ I have wealth of experience in Accounting Field having worked for over 13 years in Public sector.
5.	Mr. Daniel Musili 	Member	<ul style="list-style-type: none"> ➤ Head of Procurement ➤ Degree in Purchasing and Supplies Management ➤ Diploma in business management
6.	Dr. Brian Mutua 	Member	<ul style="list-style-type: none"> ➤ Head of Pharmacy department ➤ Bachelor of pharmacy

5. Chairman's Statement

The current Hospital Management Committee (HMC) was gazetted on 26th March 2021 with 11 members inclusive of the Medical Superintendent as the Secretary. It has also co-opted the hospital management members via Health Administrator and the Nursing manager.

The HMC has 2 sub-committees namely; Finance and General Purpose and Quality of Curative sub-committees who meet and report to the full HMC meeting during the quarterly meetings.

The core functions of the HMC are;

- i) To Supervise and control the administration of funds allocated to the facility.
- ii) To prepare work plans based on estimate expenditures.
- iii) To cause to be kept basic books of accounts and record of accounts of the income, expenditure and liabilities of the institution.
- iv) To prepare and submit testified periodic financial and performance reports as prescribed.
- v) To cause to be kept record of all deliberations.

Its core roles include;

- i) The assets, affairs and business of the hospital shall be managed under the direction of the HMC, subject to the limitations set forth in legal notice 155. In order to fulfil its responsibility, the HMC executes these core roles namely;
 - a) Planning that is consistent with Government policies and regulations.
 - b) Decision making with regard to review and approvals of plans, budget and expenditure.
 - c) Provides oversight on all hospital operations.

The core responsibility of the HMC is the following;

- i) Overseeing hospital performance improvement of the hospital and its programs, quality of services being offered and ensure that areas needing improvement are appropriately addressed.
- ii) Participating in planning for the hospital in line with department of health.
- iii) Mobilizing resources for the hospital development and operation.
- iv) Overseeing the financial operations of the hospital by ensuring a sound financial management system encompassing financial plans, performance evaluation and regular reporting.
- v) Ensure development of hospital human resources by organizing, protecting and enhancing hospitals HR and ensuring a conducive environment.
- vi) Ensuring communities rights are fulfilled and their needs are adequately met by evaluating the services of the hospital to ensure that they fulfil the rights of the communities and comprehensively address their needs
- vii) Maintaining a positive public image by ensuring patients' rights charter are developed and positioned at the right places.
- viii) Ensuring compliance with environmental regulation and standards i.e., ensuring the hospital operations are in compliance with environmental laws and regulations with

- regard to disposal of medical wastes and endeavours to encourage environment conservation within the hospital and its environs.
- ix) Enhancing external relationships and partnerships by ensuring proper linkages with all stakeholders and enhance strategic partnerships.
 - x) Mitigate potential conflicts of interests by ensuring staff and HMC members act ethically at all times and acknowledge their adherence to the public offices' ethics Act 2003 and code of conduct.
 - xi) Risk management by ensuring the hospital strategies and systems to identify and mitigate risk.
 - xii) Regulating compliance by ensuring hospitals complies with the laws and regulations.

In view of the above, during the financial year 2021/2022 the HMC had the following key activities:

- i) Ensuring equitable distribution of funds to various expenditure items such as salary payments, medical expenses, general expenses, repairs and maintenance, as well as setting aside development funds.
- ii) Allocation of funds for maintenance of motor vehicles, buildings, plant and machinery. The HMC has witnessed renovation of nutrition's and social worker's office, construction of breastfeeding hut, rehabilitation of mortuary and incinerator, renovation of patient's toilets, installation of oxygen piping to the ICU and theatre, among other key developments.
- iii) Ensuring supplementary supply of emergency pharmaceuticals and non-pharmaceutical items in the hospital especially theatre and maternity drugs. It has also ensured that funds are allocated for laboratory supplies to patients' convenience.
- iv) Formulating an The Makindu Hospital strategic plan, with detailed analysis of the position of the hospital by the year 2025.
- v) The HMC participated in the process of mobilizing resources through strategic partnerships to obtain a water desalinization plant from Water Kiosk Kenya, and installation of cabro-paving blocks extending from the main gate towards the SCMOH's offices.
- vi) It has also ensured the purchase of vital medical equipment such as SP02 leads, hydrocollator machine, pulse oximeter, MVA sets, Drip stands, delivery sets, dressing packs, fragment sets, patient monitors, condensing units, oxygen flow meters among other key equipment.
- vii) Security has also been enhanced within the compound by ensuring that CCTV cameras are installed. All departments are also connected via telephone extensions for ease communication amongst the staff members.

However, the HMC has faced several challenges while undertaking its responsibilities. Some of these challenges include:

- i. Dilapidated infrastructure that has no adequate space to offer services. For instance, the physiotherapy, occupational therapy, CCC.
- ii. There is also inadequate infrastructure that need expansion such as the laboratory and surgical wards where patients share beds.

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- iii. Shortage of health workforce such as nurses and clinical officers.
- iv. Low staff morale due to delay in promotions and re-designation.
- v. Inadequate funding leading to increased pending debts.
- vi. Delay in funding from the medical schemes.
- vii. Shortage of drugs and commodities.
- viii. Shortage of modern and advanced medical equipment.
- ix. Poverty amongst the community members leading to increased number of waivers.
- x. Shortage of ICT equipment and knowledge.

Therefore, we propose the following recommendations to make the hospital a better facility:

- i. Construction of new and spacious structures to accommodate needy departments.
- ii. Employ more taskforce for efficient health delivery especially nurses.
- iii. Speed up promotions and re-designations.
- iv. Increase R11 funding and speed up disbursement of funds from the respective stakeholders.
- v. Increase supply of drugs and commodities.
- vi. Purchase modern medical equipment.
- vii. County should compensate health facilities for the fees waived to minimize loses.
- viii. Provide and train staff on ICT.

I extend my sincere gratitude to the hospital and the entire health management committee for their continued support towards the deliberate efforts made to make the hospital the facility of choice by the society.



.....
Eng. Daniel Muli.

Chairman Hospital Management Committee

6. Report of The Medical Superintendent

Makindu Sub-County Hospital was established in 1924 as a Dispensary of East Africa Railways. It was later handed over to the Ministry of Health and developed to a Sub-District Hospital in 1989 under the then Machakos district. She is situated along Nairobi-Mombasa highway, about 172 kilometers South East of Nairobi City. The hospital is currently the second largest public healthcare facility -after Makueni County Referral Hospital- in Makueni County. She is both a referral and teaching hospital serving Kibwezi West constituency. The facility is the main teaching hospital for Kenya Medical Training College, Makindu Campus, which trains various health worker cadres including clinical officers, nurses and medical trauma technologists. It is also an attachment centre for various other professions from various institutions. She is an internship Centre for graduate medical doctors and clinical officers.

Apart from Kibwezi West, the hospital also serves patients from Kibwezi East, Makueni and Kilome Sub-counties of Makueni County. She also serves clients from neighboring Counties of Kajiado, Taita Taveta, Machakos and Southern parts of Kitui County. The hospital handles most of the Road Traffic Accident cases occurring on the highway between Salama and Mtito-Andei towns, along Nairobi-Mombasa highway. She has specialist consultants in General surgery, orthopedic surgery, obstetrics and gynaecology, paediatrics, family medicine, emergency medicine and internal medicine. Her bed capacity is 192, with additional 11 incubators and 12 cots in her newborn unit. The current average bed occupancy is 52% while about 110,000 clients seek out-patient services annually with an OPD utilization rate of 130%.


The hospital has excelled in some areas of service delivery. One being in orthopaedic surgery in which tertiary services like replacement arthroplasty (e.g., total hip or knee replacement) have been carried out successfully placing her high in specialist care. These surgeries bring patients from the farthest corners of Eastern region of the Country and from the neighbouring Republic of Tanzania. Makindu hospital boasts to have the first laboratory to acquire ISO 15189-2012 certification in lower Eastern region. The accreditation was done in September 2019 and has been maintained in successive years after successful annual assessments by Kenya National Accreditation Service (KENAS). The reliable, accurate and timely laboratory results offered by our laboratory have made healthcare services more attractive and satisfactory to both our internal and external clients.

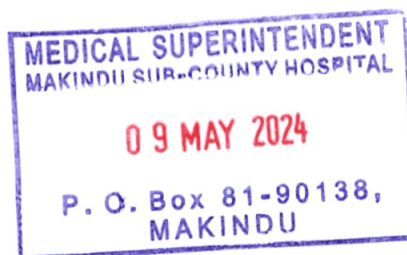
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The hospital has continuously been improving on revenue collection. During financial year 2022/2023, the hospital generated ksh 110,748,474 in revenue (Ksh 31,792,331 cash, Ksh 77,915,953 from NHIF and Ksh 1,010,000 from Makueni care). The main revenue streams are Cash payments/FIF, health insurance (NHIF), AAR and Makueni care programme; all contributing on average 29%, 70%, 1%, and respectively. The annual expenditure averages Ksh 95M. Generally, revenue raised has been increasing over the last 4 years. Last financial year (2021/22) the hospital raised Ksh 78,850,839 (FIF 29,659,473, NHIF 47,914,866.00 and Makuenicare 1,276,500). The revenue increment was attributable to reforms made targeting FIF and NHIF claims. The hospital stopped all cash payments by adopting MPesa pay bill. The facility also increased the number of clerks handling NHIF claims to 5 and distributed them between OPD, MCH and In-patient. The hospital NHIF office began to operate 24 hours. Waivers were reduced and there are also revenue collections from ICU admissions and AAR claims

The main challenge with financing is erratic and unpredictable financial flow from NHIF and Makueni care. The hospital incurs substantial waivers and exemptions annually due to services offered to indigents, unknown victims and prolonged preservation of unknown bodies in the mortuary. In the financial year 2022/2023 the hospital incurred losses in revenue through exemptions and waivers totalling to Ksh 8,513,570. The operational environment and economic situation have posed challenges making the hospital unable to provide services within available financial resources. Inability of the health department to supply adequate medical drugs and non-pharmaceuticals and the increment of commodity prices has made the situation worse. The hospital therefore has been operating on debt and paying whenever finances are available.

By the close of the financial year, the hospital owed suppliers Ksh 42,303,306; allowances to staff (who cover duties while supposed to be off duty, as a result of staffing shortage) totalling to Ksh 6,650,500.00 and electricity bill of ksh. 2,892,674. This translates to a total pending bill of Ksh 51,846,480. The hospital prepares quarterly budgets to appropriate revenue raised in previous quarter.


.....
Dr. Patrick Mutinda
Medical Superintendent



7. Statement of Performance Against Predetermined Objectives

The hospital provides curative, rehabilitative and preventive health services to external and internal clients according to Kenya Essential Package for Health. Provision of services is a process whose effectiveness cannot be assessed without taking note of outputs or outcomes. During the implementation period (2022/23), the hospital had set both service delivery and developmental targets as presented in the table below:

Objective	Key Performance Indicators	Activity	Achievement
Eliminate communicable diseases	HIV + pregnant mothers receiving preventive ARVS to reduce risk of mother to child transmission (EMTCT)	153/153	100%
	Proportion of pregnant women receiving TT2 plus immunization	493/732	67.3%
	Children under one year of age fully immunized	760/671	113%
	Proportion of TB patients completing treatment	130/262	50%
	TB case deduction rate	166 per 100,000	
	Number of eligible HIV clients on ARVS	2233/2236	99.8%
Halt and reverse the rising burden of non-communicable conditions	Proportion of adult OPD clients with BMI measured	-	0%
	Proportion of women of reproductive age screened for cervical cancer	537/7018	7.7%
	Number of new outpatients with mental conditions	917/21318	4.3%
	Number of outpatients found with high blood pressure	2664/48159	5.5%
Provision of essential services	Pregnant women attending at least 4 ANC visits	808/1201	67%

8. Corporate Governance Statement

The hospital is governed by Hospital Management Committee (previously called Hospital Management Board) comprised of 6 members representing the community and 3 ex-officials representing County administration and the National government. The medical superintendent serves as secretary. The HMC serves for 3-year term. The current members were gazetted on 26th March 2021. The team meets quarterly and has two sub-committees (Primary healthcare/quality and Finance/audit/general purpose) which meet quarterly and submit findings to full board meeting. Last financial year (2021/2022), the full HMC met 4 times and the meetings are minuted. There is no charter outlining individual roles and the HMC exercises collective responsibility; with the chairman being accountable for any decisions made.

HMC members are appointed by the ECM health services from members of community in the region served by the hospital. There are guidelines from the National Ministry of Health used to identify members to ensure equitable representation including representation of women, youth and persons with disability. The HMC generally serves as link between the hospital management and community being served. It serves to safeguard community interests health service provision. The members of HMC were inducted in a sensitization meeting conducted by the County Health Administrative Officer. The HMC has no remuneration package and is accorded sitting allowances every time engaged.

9. Management Discussion and Analysis

In the last three financial years, the hospital continued to provide curative, rehabilitative and promotive health services to the public. In order to improve the quality of services offered, the facility has continued to address gaps across all healthcare pillars i.e. staffing, infrastructure, health products, health information, service delivery, financing and leadership. The management over the period engaged additional technical and support staff on contractual/casual basis to bridge staffing gap. In total the management added 27 new staff (17 professional and 10 support). The support staff include 7 casual labourers and 3 clerical officers. The professional staff include 2 clinical officers, 8 nurses, one laboratory technologist, one pharmaceutical technologist, one orthopaedic technologist, 2 nutritionist, one occupational therapist and one theatre technologist

On infrastructure, the hospital managed to undertake several projects to improve usability. Some of the projects are as listed below:

1. Renovation and re-opening of ICU. This was to ensure ICU patients receive appropriate services in time.
2. Renovation of mortuary which included painting, ceiling and cyclone ventilators installation.
3. Operationalization of central sterilization department (CSSD).
4. Purchase of assorted furniture, equipment and linen. The hospital has been acquiring additional furniture, equipment and linen annually to bridge shortage. The need is higher than available resources and therefore on average the facility has been spending more than Ksh 2M on the items annually
5. Renovation of old administration block
6. Creation of an eye unit (ophthalmology).
7. Purchase of 6 desktop computers and other related IT equipment
8. Purchase of assorted household items (fridges, utensils, boots, tea urns, etc)
9. Reinforcement of non-pharm store to curb theft.
10. Purchase of several 10,000l plastic tanks for water storage
11. Upgrade of internet network speed from 15mbps to 50mbps.

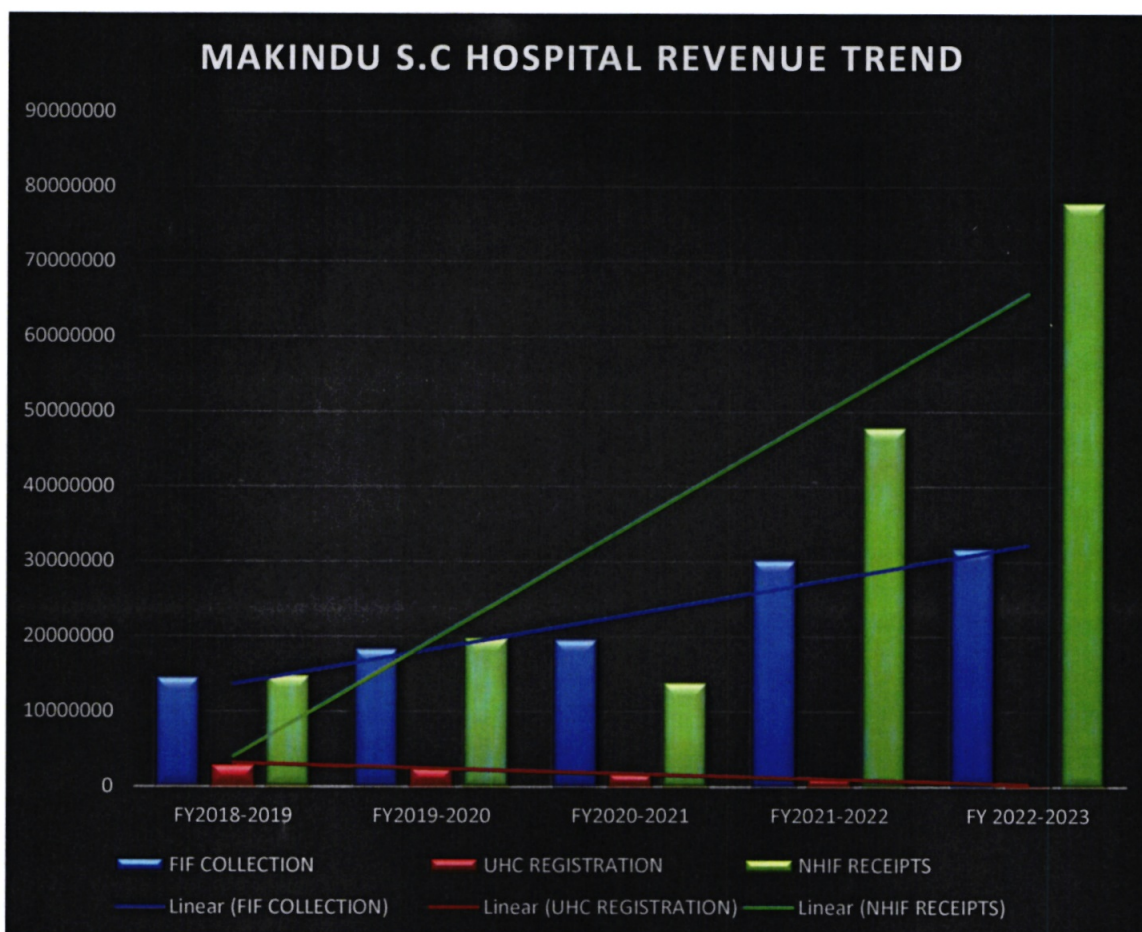
Generally, the hospital has been receiving 55-60% fill rate of drugs and non-pharmaceutical commodities from the department. To bridge the gap, the management has been purchasing additional drugs and non-pharmaceuticals from KEMSA, MEDs and prequalified local suppliers. This has greatly sustained service provision especially in the laboratory and radiology units which have never stopped service provision due to shortage of commodities.

In order to minimize expenditure on food items, the hospital continued in irrigation farming of majorly vegetables. This has on average helped save ksh 100,000 monthly. The continued partnership between the hospital and Water Kiosk (an NGO) to desalinate borehole water has helped to supply purified fresh water for drinking and utilization in laundry and theatre. The plant saves the hospital on average Ksh 90,000 monthly; money that was spend for water trucking.

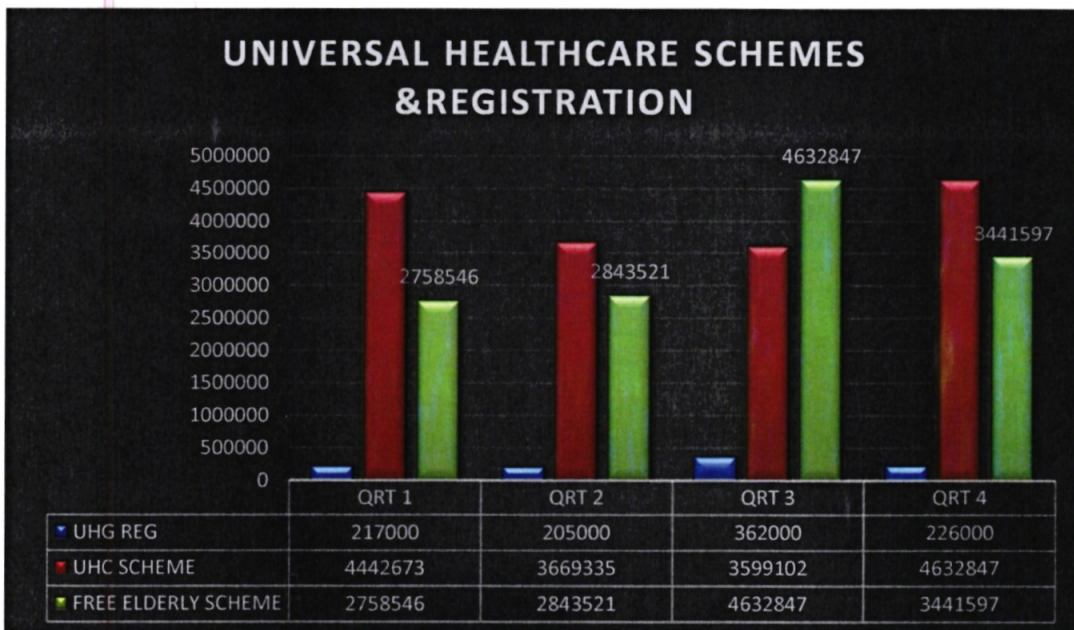
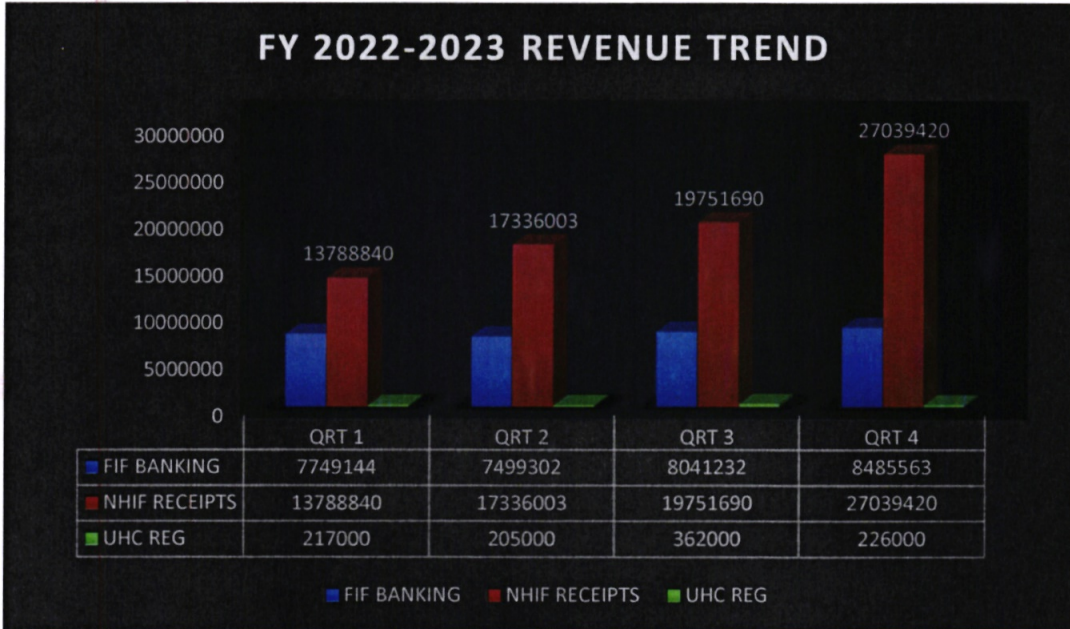
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In financial year 2021/22, the hospital raised 78M in revenue. Activities to streamline revenue collection have yielded tremendous results and the hospital is now raising over 110M annually. Part of the changes included hiring of additional NHIF clerks to operate 24 hours, stoppage of cash collections and involvement of nursing staff in billing. Minimization of corruption and reduction of pilferage have also contributed in more revenue realization.

The graph below shows revenue trend over the last four financial years:



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In order to streamline development and improve quality of services delivered, the hospital has developed a five-year strategic plan 2022-2027 to be the guiding document. Despite the investments made, the hospital faces major risks including increasing poverty levels among the public, low enrolment to health insurance, drought, increasing burden of non-communicable diseases and injuries. The hospital has complied with statutory and other financial obligations as required. However, incongruence between financial flow and material need forces the hospital to acquire needed commodities on credit for later payments.

Under service delivery, the hospital has made remarkable progress in realizing positive outcome. The facility is the main referral and teaching hospital in the greater Kibwezi region. It serves communities across Makueni, Kajiado, Kitui and Taita Taveta Counties. Some of the outcome indicators are as presented in the tables below:

DATA ELEMENT	2019/2020	2020/2021	2021/2022	2022/2023
General Outpatient (filter clinic) attendance	62,142	57,353	77,347	74,778
Special clinic attendance	21,015	23,929	30,215	35,848
MCH/FP Clinic Attendance	16,040	11,125	14,728	19,945
Dental Clinic Attendance	2,192	3,136	3,282	3,109

INPATIENT WORKLOAD

DATA ELEMENT	2019/2020	2020/2021	2021/2022	2022/2023
Bed capacity	152	152	163	189
Admissions	6,598	5,083	6,047	7,389
Bed occupancy	110%	52%	46%	52%
Discharges	6,586	6,227	5,966	7,254
Deaths	251	391	428	569
Average Length of stay (ALOS)	3	4	4	4
Surgical Theatre Utilization	4,872	1,350	2,309	3,193

MATERNITY SERVICES

DATA ELEMENT	2019/2020	2020/2021	2021/2022	2022/2023
ANC attendance	3,887	3,276	4,419	4,938
Completed 4th ANC	652	417	714	808
Deliveries	2,370	2,151	2,353	2,501
Live Births	2,359	2,129	2,435	2,466
Still Birth Rate	26 per 1,000 Live Births	31 per 1,000 Live Births	12 per 1,000 Live Births	22 per 1,000 Live Births
Neonatal Death Rate	12 per 1,000 Live Births	21 per 1,000 Live Births	13 per 1,000 Live Births	24 per 1,000 Live Births

Financial performance that includes

The hospital has three main sources of revenue: FIF/Cash, Health insurance (mainly NHIF) and Makuenicare (a social security program run by Makueni County government). Both FIF and NHIF (capitation, Civil servants, police, linda mama and Edu Afya) contribute 25% each of hospital revenue while Makuenicare contributes 50%.

Revenue raised is retained in hospital FIF account held with KCB Makindu branch. Every quarter, the management prepares and submits appropriation budgets (for revenue raised in previous quarter) to the office of the Chief Officer Health Services for approval and AIE issuance. The hospital is an independent procuring entity and therefore able to incur expenses as determined by appropriation budgets. All expenditures are guided by available regulations and laws especially public procurement and asset disposal act of 2012.

10. Environmental and Sustainability Reporting

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

i) Sustainability strategy and profile

The hospital plans to put in place and strengthen activities geared towards ensuring sustainability and resilience of hospital operations. Key among envisaged activities are measures to increase revenue generation. The hospital targets to partner with private insurance companies in service provision as the main avenue of realizing more revenue. Additionally, expanding the spectrum of service availability especially tertiary laboratory tests and surgical interventions, fields where the hospital has not exploited full potential, will greatly increase revenue generation.

Secondly the hospital plans to put in place measures to minimize wastage and pilferage of resources. This targets health products and technologies, for example, to adopt different measures to administer insulin while minimizing the number of needles spend. Strategic purchasing will guarantee quality products which minimize wastage e.g. avoidance of single use syringes. The management has also identified avenues for minimizing financial expenditure through eliminating unnecessary processes.

ii) Environmental performance

The hospital has a challenge of sewerage and relies more on a few septic tanks. The land earmarked as cemetery has been grabbed and encroached by private developers. The long-term plan is to put up a lagoon to sort sewerage matters and follow up with County department of lands to reclaim cemetery land. The hospital has plans to strengthen infection prevention and control (IPC) activities. To that end, the managers ensure efficient and effective hospital waste segregation and disposal. The facility has the advantage of having an incinerator in place for waste disposal. We have planted trees in the compound and identified two areas for recreational park/garden development.

iii) Employee welfare

The hospital staff establishment is mainly under the County Public Service. However, to bridge staffing gap, the facility has engaged both professional and support staff on casual basis. The executive expenditure committee has laid down guidelines on recruitment, terms of service and welfare matters concerning staff. Contractual engagement is usually renewed six monthly. All members of staff irrespective of employer are treated equally and accorded similar opportunities. The hospital runs a weekly continuous medical education (CME) program to improve workers knowledge and skills. The program is accredited by Kenya Medical Practitioners and Dentists Council (KMPDC). The facility has complied with Occupational Safety and Health Act 2007 and has deployed an environmental health officer to spearhead environmental health activities.

iv) Market place practices-

Organizations depend on their suppliers in order to satisfy the needs and expectations of their customers, on whom they depend. The hospital acknowledges the need for mutually beneficial supplier relationships.

a) Responsible competition practice.

The hospital being an independent procuring entity prequalifies suppliers under different needs. The framework agreements cover 2 to 3-year periods. This ensures fair competition, guarantees business and minimizes corruption. The hospital is guided by the County treasury to ensure compliance with regulations and political involvement.

b) Responsible Supply chain and supplier relations

The procurement department is responsible for procurement and asset disposal processes. The head of the unit reports to the accounting officer through the administrator. Hospital supplier relations are discussed during EEC meetings and additionally suppliers can raise concerns either verbally or in writing whenever there is an issue. Payments to suppliers are done equitably without favour or undue influence.

c) Responsible marketing and advertisement

The hospital requires organizations marketing their products and services to seek approval from hospital top administration before engaging staff. Most of the times, organizations are requested to participate in CME for impartiality and inclusive participation. The hospital guided by health policy restricts and prohibits marketing of services or products that have been blacklisted e.g. infant formula and breast milk substitutes

d) Product stewardship

Acquisition of health products is guided by national policy especially Kenya Essential Medicine List updated regularly. Purchase done from reputable main distributors to assure consumer safety and rights.

v) Corporate Social Responsibility / Community Engagements

Makindu Sub-County hospital is not involved in corporate social responsibility and does not have a policy guiding on the same. However, in her current strategic plan, the hospital plans to hold health promotion camps for the benefit of the community.

Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Principal activities

The principal activities of the hospital are to provide health services to the public

Results

The results of the entity for the year ended June 30 2023 are set out on page 1 to 8

Board of Management

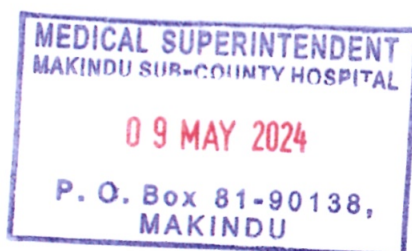
The members of the Board who served during the year are shown on page vii-viii

Auditors

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

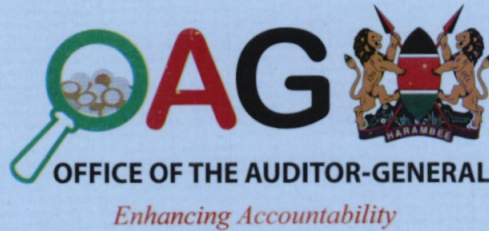
By Order of the Board

.....
Dr. Patrick Mutinda.
Medical Superintendent.
Secretary of the Board.



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MAKINDU LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF MAKUENI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Makindu Level 4 Hospital – County Government of Makueni set out on pages 1 to 56, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance,

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Makindu Level 4 Hospital - County Government of Makueni as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following inaccuracies;

- i. The statement of financial position reflects trade and other payables balance of Kshs.51,846,480 as disclosed in Note 34 to the financial statements. However, review of supporting schedules revealed that the balance excluded an amount of Kshs.213,823 owed to Kenya Medical Supplies Authority.
- ii. The statement of comparison of budget and actual amounts reflects general expenses original and final expenditure budgets of Kshs.30,234,585 and Kshs.24,310,296 respectively with no adjustments resulting in an unexplained variance of Kshs.5,924,289.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.51,988,860 as disclosed at Note 31 to the financial statements. However, the Hospital has movable and non-movable assets of undetermined value relating to land, buildings, furniture and fittings and computers which were not valued and disclosed in financial statements.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.51,988,860 could not be confirmed.

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

The statement of financial performance reflects employee costs of Kshs.44,436,239 for casuals and contractual staff as disclosed in Note 16 to the financial statements. The Hospital also received services from medical staff employed and paid for by the County.

However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.44,436,239 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Prepare Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs.32,705,465 in relation to the rendering of services - medical income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County Treasury with a copy to the Auditor General. This was contrary to 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 15th day after the end of the quarter.

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

2. Deficiencies in Implementation of Universal Health Coverage

Inspection of services offered, equipment used and number of members of staff at the hospital in April, 2024 revealed that during the year under review, the Hospital did not

meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits as analysed in the table below:

Personnel	Level 4 Standard	Actual Numbers	Variance	Percentage %
Medical Officers	16	13	3	19
Anaesthesiologists	2	0	2	100
General Surgeons	2	1	1	50
Gynaecologists	2	1	1	50
Paediatricians	2	1	1	50
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	85	(10)	(13)
Total	101	101	0	0

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

Services	Required	In-Post	Variance	Percentage %
Functional ICU Beds	6	3	3	50
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machine	5	0	5	100
Total	17	3	14	

In addition, the hospital has three (3) functional ICU beds but only one ventilator while two ventilators had been borrowed by Makueni County Referral Hospital at the time of audit.

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

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

3. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed at Note 34 to the financial statements reflects trade and other payables balance of Ksh.51,846,480 relating to general suppliers of goods and services and pharmaceutical items. Included in the balance is an amount of Kshs.29,461,653 brought forward from the previous year. Management attributed the failure to settle the debts to inadequacy of funds. This was contrary to Regulation 22(2)(a) of the Public Finance Management (County Governments) Regulations, 2015 which provides that in addition to the responsibilities of Accounting Officers provided in the Act,

an Accounting Officer designated under the Act or any other Act, shall comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided to by legislation.

In the circumstances, the Hospital is exposed to the risk of incurring penalties and interest that may adversely affect service delivery while Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Maintain an Imprest Register

During the year under audit, Management did not maintain an imprest register. This was contrary to Regulation 93(4)(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires that before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant imprest has been recorded in the imprest register including the amount applied for.

In the circumstances, the effectiveness of internal controls over the management of imprest could not be confirmed.

2. Lack of Risk Management Policy

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 the entity's operation. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 that provides that the County Government entity shall develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of risk management processed could not be confirmed.

3. Lack of Internal Audit Unit and Audit Committee

Review of the Hospital's governance system revealed that the Hospital did not have an Internal Audit Unit but relied on the services of the County Executive Internal Audit. Further, there was no evidence of internal audit reports and no internal audit committee was in place for the year under review.

This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 that requires County Government entities to establish an audit committee in accordance with prescribed regulations to monitor the entities governance process, accountability process and control systems, offer objective advice on issues concerning risk, control, regulatory requirements and governance.

In the circumstances, the effectiveness of accountability process and internal control systems could not be confirmed while Management was in breach of the law.

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

Responsibilities of Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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


 FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 June, 2024

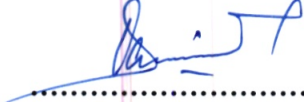
6. Statement of Financial Performance for The Year Ended 30 June 2023

Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	25,005,000.00	51,188,500.00
In- kind contributions from the County Government	7	23,102,681.71	33,493,245.00
Grants from donors and development partners	8	-	359,400.00
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		48,107,681.71	85,041,145.00
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	32,705,465.00	31,110,248.00
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Other income (<i>specify</i>)	14	99,305,927.00	47,914,866.00
		132,011,392.00	79,025,114.00
Total revenue		180,119,073.71	164,066,259.00
Expenses			
Medical/Clinical costs	15	83,650,458.00	41,670,614.00
Employee costs	16	44,436,239.00	31,913,284.00
Board of Management Expenses	17	843,000.00	194,800.00
Depreciation and amortization expense	18	9,824,185.03	11,142,075.00
Repairs and maintenance	19	13,445,278.00	8,742,981.00
Grants and subsidies	20	-	-
General expenses	21	36,574,892.29	53,935,267.00


Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Finance costs	22	-	-
Total expenses		188,774,052.32	147,599,021.00
Other gains/(losses)			
Gain on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	(8,513,570.00)	(20,544,757.00)
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		(8,513,570.00)	(20,544,757.00)
Net Surplus for the year		(17,168,548.61)	(4,077,519.00)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		(17,168,548.61)	(4,077,519.00)

The Hospital's financial statements were approved by the Board on **9th May 2024** and signed on its behalf by:



Eng. Daniel Muli
Chairman
Board of Management



Christine Mutuku
Head of Finance
ICPAK No: 15728



Dr. Patrick Mutinda
Medical Superintendent



Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

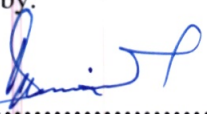
Description	Notes	2022/23	2021-2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	33,166,884.43	27,831,678.18
Receivables from exchange transactions	28	21,389,974.00	18,035,396.00
Receivables from non-exchange transactions	29	-	-
Inventories	30	7,661,346.42	4,433,142.00
Total Current Assets		62,218,204.85	50,300,216.18
Non-current assets			
Property, plant, and equipment	31	51,988,860.02	58,516,295.05
Intangible assets	32	-	-
Investment property	33	-	-
Total Non-current Assets		51,988,860.02	58,516,295.05
Total assets		114,207,064.87	108,816,511.23
Liabilities			
Current liabilities			
Trade and other payables	34	51,846,480.25	29,461,653.00
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
Total Current Liabilities		51,846,480.25	29,461,653.00
Non-current liabilities			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession liability	40	-	-
Total Non-current liabilities		-	-
Total Liabilities		51,846,480.25	29,461,653.00


Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Net assets			
Revaluation reserve		-	-
Accumulated surplus/Deficit		62,360,584.62	79,354,858.23
Capital Fund			-
Total Net Assets and Liabilities		114,207,064.87	108,816,511.23

(The notes set out on pages 26 to 47 form an integral part of the Annual Financial Statements.)

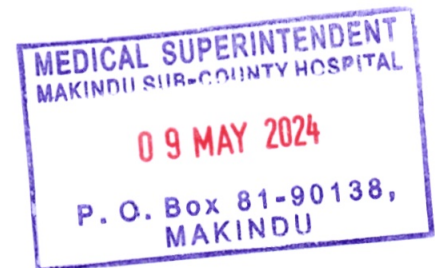
The Hospital's financial statements were approved by the Board on **9th May 2024** and signed on its behalf by:


.....
Eng. Daniel Muli
Chairman
Board of Management


.....
Christine Mutuku
Head of Finance
ICPAK No: 15728


.....
Dr. Patrick Mutinda
Medical Superintendent

I.



Makindu Sub County Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
At July 1, 2021	-	83,606,652.23	-	83,606,652.23
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(4,077,519.00)	-	(4,077,519.00)
Capital/Development grants	-	-	-	-
At June 30, 2022	-	79,529,133.23	-	79,529,133.23
At July 1, 2022	-	79,529,133.23	-	79,529,133.23
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(17,168,548.61)	-	(17,168,548.61)
Capital/Development grants	-	-	-	-
At June 30, 2023	-	62,360,584.62	-	62,360,584.62

(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.)*

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

Description	Not e	2022/2023, Kshs	2021/22, Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	25,005,000.00	51,188,500.00
Grants from donors and development partners	8		359,400.00
Transfers from other Government entities	9	-	
Public contributions and donations	10	-	-
Rendering of services- Medical Service Income	11	32,705,465.00	30,935,973.00
Revenue from rent of facilities	12	-	-
Finance / interest income	13	-	-
Other receipts(<i>specify</i>)	14	114,896,997.00	47,914,866.00
Total Receipts		172,607,462.00	130,398,739.00
Payments			
Medical/Clinical costs	15	50,265,523.29	41,670,614.00
Employee costs	16	37,785,739.00	31,913,284.00
Board of Management Expenses	17	843,000.00	194,800.00
Repairs and maintenance	19	10,422,518.00	8,742,981.00
Grants and subsidies	20	-	-
General expenses	21	58,449,910.00	20,442,022.00
Finance costs	22	-	-
Refunds paid out			-
Total Payments		157,766,690.29	102,963,701.00
Net cash flows from operating activities	41	14,840,771.71	27,435,038.00
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		(2,095,100.00)	(7,053,766.00)
Purchase of inventory		(7,661,346.42)	-
Acquisition of investments		-	-
Net cash flows used in investing activities		(9,756,446.42)	(7,053,766.00)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-

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Pharmarcritical supplies received from the county		250,880.96	-
Net cash flows used in financing activities		250,880.96	-
Net increase/(decrease) in cash and cash equivalents		5,335,206.25	20,381,272.00
Cash and cash equivalents at 1 July	27	27,831,678.18	7,450,406.18
Cash and cash equivalents at 30 June	27	33,166,884.43	27,831,678.18

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

15. Statement of Comparison of Budget and Actual Amounts for Year Ended 30th Jun 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	25,005,000.00	-	25,005,000.00	25,005,000.00	-	100%
Grants from donors and development partners	-	-	-	-	-	0%
Transfers from other Government entities	-	-	-	-	-	0%
Public contributions and donations	-	-	-	-	-	0%
Rendering of services- Medical Service Income	31,788,315.00	-	31,788,315.00	32,705,465.00	(917,150.00)	103%
Revenue from rent of facilities	-	-	-	-	-	0%
Finance / interest income	-	-	-	-	-	0%
Other receipts (<i>specify</i>)	99,305,927.00	-	99,305,927.00	99,305,927.00	-	100%
Total income	156,099,242.00	-	156,099,242.00	157,016,392	(917,150.00)	101%
Expenses						0%
Medical/Clinical costs	51,453,018.00	-	51,453,018.00	83,650,458	(32,197,440.00)	163%

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Employee costs	37,789,380.00	-	37,789,380.00	44,436,239	(6,646,859.00)	118%
Remuneration of directors	843,000.00	-	843,000.00	843,000	-	100%
Repairs and maintenance	10,544,869.00	-	10,544,869.00	13,445,278	(2,900,409.00)	128%
Grants and subsidies	-	-	-	-	-	0%
General expenses	30,234,585.00	-	24,310,295.75	36,579,892	(12,269,596.54)	150%
Finance costs	-	-	-	-	-	0%
Refunds	-	-	-	-	-	0%
Total Expenses	130,864,852.00	-	124,940,562.75	178,954,867.29	(54,014,304.54)	143%
Surplus for the period	25,234,390.00	-	31,158,679.25	(21,938,475.29)	53,097,154.54	-70%
Capital expenditure	2,095,100.00	-	2,095,100.00	3,296,750.00	(5,391,850.00)	157%

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16. Notes to the Financial Statements

1. General Information

Makindu Sub-County Hospital is established by and derives its authority and accountability from Public Finance Management Act. The entity is wholly owned by the Makueni County Government and is domiciled in Makindu County in Kenya. The entity's principal activity is to provide curative, rehabilitative and promotive health services.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

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

Standard	Effective date and impact
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and 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>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires:-</p> <ol style="list-style-type: none"> i. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

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

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

ii) Revenue from exchange transactions

Rendering of services

The 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.

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 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

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

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. 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.

n. 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.

o. 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.)*

p. 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.

Notes to the Financial Statements (Continued)

q. Employee benefits

Retirement benefit plans

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

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

The 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.

Notes to the Financial Statements (Continued)

u. 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.

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

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

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)

Useful lives and residual values

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

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

Provisions

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

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

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2022/23	2021/2022
	KShs	KShs
Unconditional grants		
Operational grant	25,005,000	48,000,000
Level 5 grants	-	3,188,500
Unconditional development grants	-	-
Other grants	-	-
	-	-
Conditional grants		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Total government grants and subsidies	25,005,000	51,188,500

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.			Total grant income during the year KShs	Comparative Period KShs
			KShs				
Makueni County Government	25,005,000	-	-	25,005,000	51,188,500		
Total	25,005,000	-	-	25,005,000	51,188,500		

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2022/23	2021/22
	KShs	KShs
Salaries and wages		-
Medical supplies-Drawings Rights (KEMSA)	16,791,241	24,114,639
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)		-
Utility bills	6,311,441	9,378,606
Total grants in kind	23,102,682	33,493,245

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

8. Grants From Donors and Development Partners

Description	2022/23	2021/22
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants KIDS OR		359,400
Total grants from development partners	-	359,400

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
Total	-	-	-	-	-

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	2022/23	2021/22
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from xxx National Hospital	-	-
Transfer from xxx Institute	-	-
Total Transfers	-	-

10. Public Contributions and Donations

Description	2022/23	2021/22
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations(<i>specify</i>)	-	-
Donations in kind-amortised	-	-
Total donations and sponsorships	-	-

10 (a)Reconciliations of amortised grants

Description	2022/23	2021/22
	Kshs	Kshs
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
Conditions to be met – remain liabilities	-	-

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2022/2023	2021/2022
	KShs	KShs
Pharmaceuticals	1,773,480	2,028,368.00
Non-Pharmaceuticals		
Laboratory	5,478,740	4,233,690.00
Radiology	6,724,540	4,961,950.00
Orthopedic and Trauma Technology	680,150	527,750.00
Theatre	205,700	413,850.00
Accident and Emergency Service		
Anesthesia Service		
Ear Nose and Throat service & other clinics	51,503	163,000.00
Nutrition service	21,800	53,400.00
ICU	106,100	
Dental services	354,600	476,800.00
Reproductive health	2,000	3,150.00
palliative	19,630	15,490.00
Farewell home services	671,990	1,850,595.00
Health Records-Cards & files	2,207,440	1,992,560.00
Inpatient	11,323,871	11,393,990.00
Physiotherapy	154,600	146,200.00
Occupational therapy	57,200	222,100.00
Out – patient	824,940	588,685.00
Transport – Ambulance services	372,000	344,500.00
Medical Exam	114,900	79,600.00
Eye department	232,600	231,060.00
Mental Health	88,310	21,720.00
Insurance recoveries-UHC	1,011,000	1,276,500.00
Income from sale of tender		-
Farm income	910	4,490.00
Income from internship (Administration)	89,400	80,800.00
Other debtors - Medical services rendered to Institutions	138,061	-
Total revenue from the rendering of services	32,705,465	31,110,248

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2022/23	2021/22
	Kshs	Kshs
Residential property	-	-
Commercial property	-	-
Total Revenue from rent of facilities	-	-

13. Finance /Interest Income

Description	2022/23	2021/22
	Kshs	Kshs
Cash investments and fixed deposits	-	-
Interest income from short- term/ current deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income	-	-

14. Miscellaneous Income

Description	2022/2023	2021/2022
	KShs	KShs
Insurance recoveries-NHIF	99,305,927	47,914,866
Services concession income		-
Direct deposit to Account		
Sale of goods (water, publications, containers etc)	-	-
Total other income	99,305,927	47,914,866

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

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2022/2023	2021/2022
	KShs	KShs
Dental costs/ Materials		-
Laboratory chemicals and reagents	7,218,500	5,580,200
Public health activities		-
Food and Ration	17,127,332	11,188,885
Uniform, clothing, and linen	979,014	1,218,315
Dressing and Non-Pharmaceuticals	26,956,005	7,266,210
Pharmaceutical supplies	14,559,747	6,426,022
Health information stationery		1,360,380
Reproductive health materials		-
Sanitary and cleansing Materials	3,455,990	1,445,810
Purchase of Medical gases & Other gases	649,970	2,553,192
X-Ray/Radiology supplies	4,136,500	1,613,800
Other medical related clinical costs (implants cost)	8,567,400	3,017,800
Total medical/ clinical costs	83,650,458	41,670,614

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

16. Employee Costs

Description	2022/2023	2021/2022
	KShs	KShs
Salaries, wages, and allowances	25,014,563	21,919,534
Contributions to pension schemes		232,000
Service gratuity		-
Performance and other bonuses		-
Staff medical expenses and Insurance cover		-
Group personal accident insurance and WIBA		-
Social contribution	1,305,476	-
Other employee costs - <i>Locum</i>	18,116,200	9,761,750
Employee costs	44,436,239	31,913,284

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2022/2023	2021/2022
	KShs	KShs
Chairman's Honoraria		-
Sitting allowance	843,000	66,000
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	128,800
Airtime allowances	-	-
Total	843,000	194,800

18. Depreciation and Amortization Expense

Description	2022/2023	2021/2022
	KShs	KShs
Buildings and Civil works	3,192,272	343,425
Furniture, fittings, and office equipment	515,087	544,335
ICT Equipment	802,269	2,349,010
Plant and medical equipment	5,314,556	7,905,305
Total depreciation and amortization	9,824,185	11,142,075

19. Repairs and Maintenance

Description	2022/2023	2021/2022
	KShs	KShs
Property- Buildings	8,187,520	6,055,116.00
Medical equipment	518,900	-
Office equipment	-	-
Furniture and fittings	-	-
Computers and accessories	598,970	1,557,400.00
Motor vehicle expenses	1,223,491	1,130,465.00
Plant	2,916,397	-
Total repairs and maintenance	13,445,278	8,742,981.00

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2022/23	2021/22
	Kshs	Kshs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies(<i>specify</i>)	-	-
Total grants and subsidies	-	-

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

21. General Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Advertising and publicity expenses	200,000	-
Catering expenses	1,204,130	330,670
Waste management expenses		-
Insecticides and rodenticides	367,310	89,900
Audit fees		-
Bank charges	58,653	142,827
Conferences and delegations		-
Consultancy fees		-
Contracted services	9,264,000	9,367,794
Contracted technical services	2,154,000	
Electricity expenses	2,892,674	-
Insurance		-
Research and development expenses		-
Travel and accommodation allowance	1,326,055	1,934,610
Legal expenses		-
COMPUTERS supplies	3,397,007	
Licenses and permits		-
Courier and postal services	20,000	20,000
Printing and stationery	2,696,220	1,566,400
Ths-cp cash awards		-
Rent expenses		-
Water and sewerage costs	916,000	978,599
Skills development levies		-

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Telephone and mobile phone services	749,400	913,000
Internet expenses	650,560	352,944
Staff training and development	5,000	745,878
Subscriptions to professional bodies	485,898	400,000
Subscriptions to newspapers periodical, Magazines, and gazette notices		-
Library books/Materials		-
Household appliances	710,560	
Parking charges		-
Fuel for production	1,450,000	
Refined fuel for transport	3,150,000	3,240,000
Other fuels	1,200,000	
Other operating expenses-transfer to CRF	45,000	74,795
In kind contributions from the County Government		33,493,245
General office supplies	3,632,425	
HTFR Palliative care	-	359,400
Total General Expenses	36,574,892	53,935,267

22. Finance Costs

Description	2022/23	2021/22
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

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

Description	2022/23	2021/22
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised (<i>specify</i>)	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain On Fair Value Investments

Description	2022/23	2021/22
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

25. Medical Services Contracts Gains /Losses

Description	2022/23	2021/23
	KShs	KShs
Comprehensive care contracts with NHIF	-	(12,593,150.00)
Non- Comprehensive contracts care with NHIF	-	
Linda Mama Program	-	
Waivers and Exemptions	(8,513,570)	(7,951,607.00)
Total Gain/Loss	(8,513,570)	(20,544,757.00)

26. Impairment Loss

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

27. Cash And Cash Equivalentents

Description	2022/23	2021/22
	KShs	KShs
Current accounts	33,166,884	27,831,678
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalentents	33,166,884	27,831,678

Notes to the Financial Statements (Continued)

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

Description		2022/23	2022/23
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1,145,499,120	33,140,454.88	27,776,320.63
Kenya Commercial bank	1,147,259,151	26,429.55	55,357.55
Sub- total		33,166,884	27,831,678.18
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
		-	-
Sub- total		-	-
d) Others(specify)			
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
		-	-
Sub- total		-	-
Grand total		33,166,884	27,831,678.18

28. Receivables From Exchange Transactions

Description	2022/23	2021/22
	KShs	KShs
Medical services receivables	21,389,974	18,013,196
Rent receivables		-
Other exchange debtors	-	22,200
Less: impairment allowance	-	-
Total receivables	21,389,974	18,035.396

(Entity to state the expected credit loss rates for various categories of its receivables. The entity should also disclose how ECL was arrived at in line with provisions of IPSAS 41.)

Analysis of Receivables From Exchange Transactions

Description	2022/23		2021/22	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

29. Receivables From Non-Exchange Transactions

Description	2022/23	2021/23
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (<i>non-exchange transactions</i>)	-	-
Less: impairment allowance	-	-
Total	-	-

Analysis of Receivables From Non-Exchange Transactions

Description	Insert Current FY		Insert Comparative FY	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	0%	-	0%
Between 1- 2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total (a+b)	-	0%	-	0%

30. Inventories

Description	2022/23	2021/22
	KShs	KShs
Pharmaceutical supplies	2,965,250.42	2,527,914.00
Maintenance supplies		-
Food supplies	1,200,500.00	90,228.00
Linen and clothing supplies	800,000.00	764,500.00
Cleaning materials supplies	350,200.00	30,400.00
General supplies	345,000.00	205,600.00
Non-pharmaceuticals	2,000,396	814,500.00
Less: provision for impairment of stocks		
Total	7,661,346.42	4,433,142.00

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Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2020	-	11,242,003.00	-	2,545,500.00	3,516,100.00	58,747,560.00	-	76,051,163.00
Additions	-	2,494,986.00	-	1,074,185.00	399,890.00	1,307,150	-	5,276,211.00
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th June 2021	-	13,736,989.00	-	3,619,685.00	3,915,990.00	60,054,710.00	-	81,327,374.00
At 1 st July 2021	-	13,736,989.00	-	3,619,685.00	3,915,990.00	60,054,710	-	81,327,374.00
Additions	-	-	-	734,995.00	3,131,041.00	3,187,730.00	-	7,053,766.00
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th June 2022	-	13,736,989.00	-	4,354,680.00	7,047,031.00	63,242,440.00	-	88,381,140.00
At 1 st July 2022	-	13,736,989.00	-	4,354,680.00	7,047,031.00	63,242,440.00	-	88,381,140.00
Additions	-	-	-	1,081,000.00	186,150.00	2,029,600	-	3,296,750.00
Disposals	-	-	-	-	-	-	-	-

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Disposals								
Impairment								
Transfer/adjustment								
At 30th June 2023		4,160,171.88	-	1,830,070.21	5,628,642.73	28,070,145.16	-	39,689,029.98
	-		-				-	-
Net book values	-		-				-	-
At 30 th June 2021	-	13,112,514.20	-	2,849,036.90	1,438,626.70	45,204,426.25	-	62,604,604.05
At 30 th June 2022	-	12,769,089.50	-	3,039,696.90	2,220,657.40	40,486,851.25	-	58,516,295.05
<i>At 30th June 2023</i>		9,576,817	-	3,605,610	1,604,538	37,201,895	-	51,988,860

Valuation of assets had not been done at the time of preparing the financial statements. However, there are plans by the County Government to do a valuation of assets

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Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2022/23	2021/22
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
Additions-Internal development	-	-
Disposal	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization for the period	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

33. Investment Property

Description	2022/23	2021/22
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Disposals during the year	-	-
Fair value gain	-	-
Depreciation (<i>where investment property is at cost</i>)	-	-
Impairment	-	-
At end of the year	-	-

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Notes to the Financial Statements (Continued)

34. Trade and other Payables

Description	2022/2023	2021/2022
	KShs	KShs
Trade payables	42,303,306	29,461,653.00
Employee dues	6,650,500	-
Third-party payments (<i>unremitted payroll deductions</i>)	-	-
utility fee	2,892,674	-
Doctors' fee	-	-
Total trade and other payables	51,846,480	29,461,653.00

35. Refundable Deposits from Customers/Patients

Description	2022/23		2021/22	
	KShs	% of the Total	KShs	% of the Total
Medical fees paid in advance	-	-	-	-
Credit facility deposit	-	-	-	-
Rent deposits	-	-	-	-
Others (<i>specify</i>)	-	-	-	-
Total deposits	-	-	-	-
Ageing analysis:	2022/23	% of the Total	2021/22	% of the Total
Under one year	-	0%	-	0%
1-2 years	-	0%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total	-	0%	-	0%

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Notes to the Financial Statements (Continued)

36. Provisions

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

37. Finance Lease Obligation

Description	2022/23	2021/22
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
Total	-	-

38. Deferred Income

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
Total	-	-

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Notes to the Financial Statements (Continued)

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

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

39. Borrowings

Description	2022/23	2021/22
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
Balance at end of the period	-	-

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

Description	2022/23	2021/22
	KShs	KShs
Current Obligation	-	-
Non-Current Obligation	-	-
Total	-	-

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Notes to the Financial Statements (Continued)

40. Service Concession Arrangements

Description	2022/23	2021/22
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

41. Social Benefit Liabilities

Description	2022/23	2021/22
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
People Living with Disabilities benefit Scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

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Notes to the Financial Statements (Continued)

42. Cash Generated from Operations

Description	2022/2023	2021/2022
	KShs	KShs
Surplus for the year before tax	(17,168,549)	(4,077,519.00)
Adjusted for:	-	
Depreciation	9,824,185	11,142,075.00
Medical services contracts Gains/Losses	8,513,570	-
Grants inkind expensed	(1,103,104)	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	(3,228,204)	9,064,526.00
Increase in receivables	(3,180,303)	(3,944,791.00)
Increase in deferred income	-	-
Increase in payables	21,183,177	15,250,747.00
Increase in payments received in advance	-	-
Net cash flow from operating activities	14,840,772	27,435,038.00

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

Notes to the Financial Statements (Continued)

43. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022(previous year)			-	-
Receivables from exchange transactions	18,035,396.00	18,035,396.00	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	36,632,510.18	36,632,510.18	-	-
Total	54,667,906.18	54,667,906.18	-	-
At 30 June 2023 (current year)				
Receivables from exchange transactions	21,389,974	21,389,974	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	34,932,943.43	34,932,943.43	-	-
Total	-	-	-	-

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

Notes to the Financial Statements (Continued)

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade payables	-	16,461,970.00	12,999,683.00	29,461,653.00
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	16,461,970.00	12,999,683.00	29,461,653.00
At 30 June 2023				
Trade payables	-	20,633,317.25	31,213,163.25	51,846,480.54
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	20,633,317.25	31,213,163.25	51,846,480.54

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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:

Description	KShs	Other currencies	Total
	Ksbs		Ksbs
At 30 June 2022			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

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Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2021/2022			
Euro	10%	-	-
USD	10%	-	-
2022/2023			
Euro	10%	-	-
USD	10%	-	-

b) 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.

Notes to the Financial Statements (Continued)

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.

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:

Description	2022/2023	2021/2022
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(17,168,548.61)	(4,077,519.00)
Capital reserve	79,529,133.23	83,606,652.23
Total funds	62,360,584.62	79,529,133.23
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (<i>excess cash and cash equivalents</i>)	-	-
Gearing	-	-

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Notes to the Financial Statements (Continued)

44. 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.

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

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

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

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Description	2022/2023	2021/2022
	Kshs	Kshs
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	-	-

45. 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)

46. Contingent Liabilities

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

(Give details)

47. Capital Commitments

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

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

48. Events after the Reporting Period

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

49. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of Health Services. Its ultimate parent is the County Government of Makueni.

50. Currency

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

17. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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

Guidance Notes:

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

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Accounting Officer



Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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



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Appendix III: Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]


[Insert Address]

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

Confirmation of amounts received by <i>[Insert name of beneficiary entity]</i> as at 30 th June 20XX							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30th June 20XX				Amount Received by <i>[beneficiary entity]</i> (KShs) as at 30 th June 20XX (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

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

Head of Accounts Department of the beneficiary entity:

Name ..CHRISTINE MUMBE MUTUKU... Sign.....Date 9/5/2024..

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Appendix IV Reporting of Climate Relevant Expenditures

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





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Appendix V: Disaster Expenditure Reporting Template

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

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