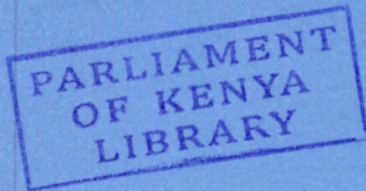


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

KANYANGI LEVEL 4 HOSPITAL

FOR THE YEAR ENDED

30 JUNE, 2023

COUNTY GOVERNMENT OF KITUI



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30054 - 00100, NAIROBI
REGISTRY
06 JUN 2024
RECEIVED



Kanyangi Level 4 Hospital (Kitui 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	TABLED BY	COMMITTEE	REMARKS

PAPERS LAID

DATE	TABLED BY	COMMITTEE	REMARKS
18/09/24	Margaret Leodes		

PAPERS LAID

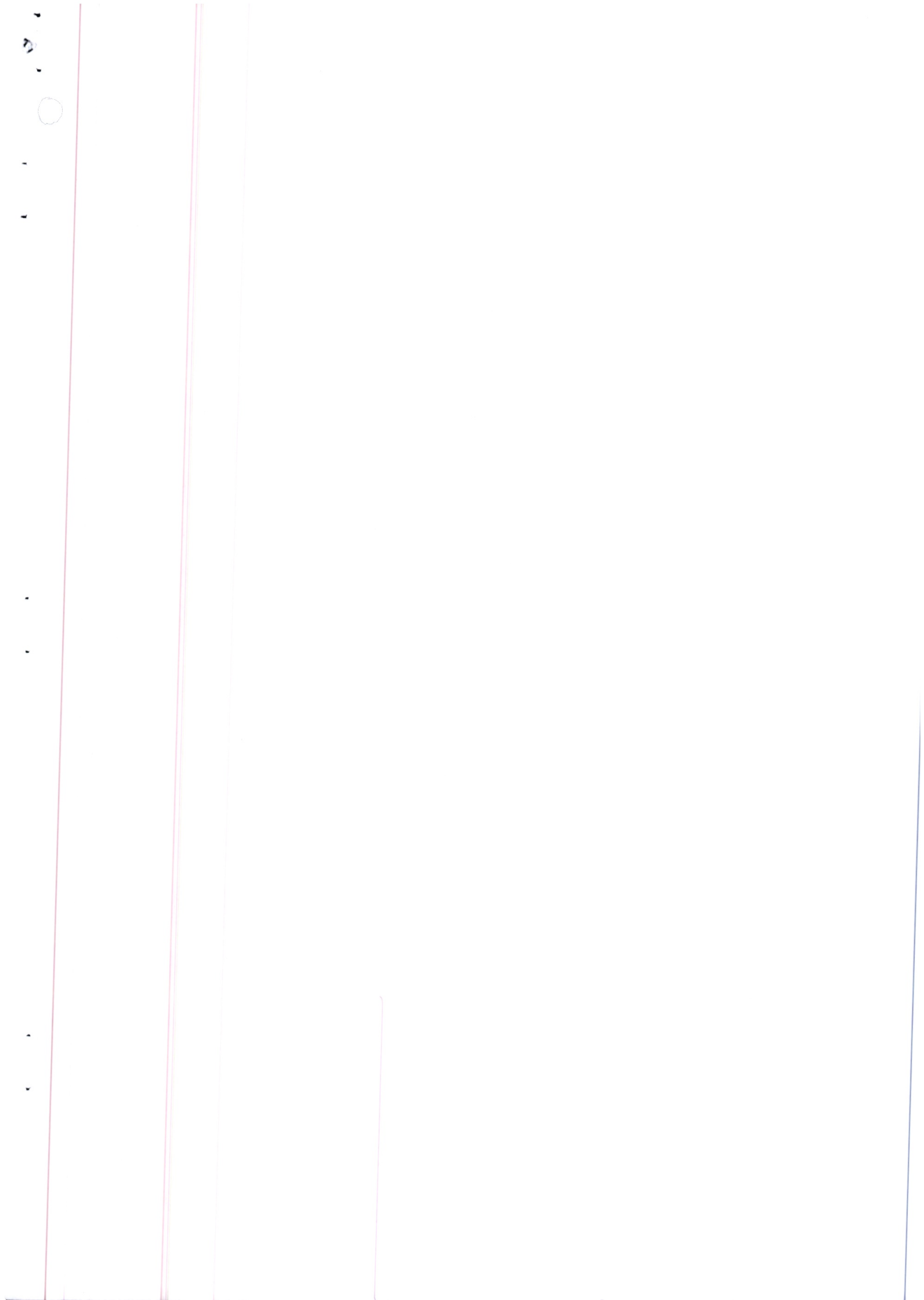


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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
SCMA	Supply Chain Management Assistant
HRIO	Health Records & Information Officer
OSHA	Occupational Health & Safety Act
MET	Medical Engineer Technologist
PHO	Public Health Officer
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

Kyangi Hospital is a sub-county hospital established under gazette notice number 786 and is domiciled in Kitui County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity of the hospital is to provide health services to the people of Kitui and Government of Kenya as a whole. The vision is to have a community with healthy residents that embrace preventive healthcare and have access to affordable and equitable healthcare services. The mission of the hospital is providing accessible, affordable quality healthcare services to all through strengthening health care systems, scaling up health interventions, partnership and innovation and empowering communities to foster sustainable social and economic growth.

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management

(d) Fiduciary Management

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

No.	Designation	Name
1.	CECM Finance	-Peter Mwikya Kilonzo
2.	Chief Officer Finance	-CPA John Kimwele
3.	CECM Health	-Ruth Koki
4.	Chief Officer Health	-Dr. Benson Musyoka
5.	Medical Superintendent	-Dr. Martin Nkulet

(e) Fiduciary Oversight Arrangements

- ✓ Kitui County Assembly Public Investment and Accounts Committee
- ✓ Kitui County Assembly County Budget and Appropriation Committee
- ✓ Kitui County Assembly Finance and Economic Planning Committee
- ✓ Kitui County Budget and Economic Forum
- ✓ Controller of Budget

✓ National Treasury

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 747-90200
Kanyangi Level IV Hospital
Kanyangi, Kitui

(g) Entity Contacts

Telephone: 0755155753
E-mail: medsupkanyangihospital@gmail.com
Website: www.kitui.go.ke

(h) Entity Bankers

National Bank
Kitui Branch
P. O. Box 166- 90200
Kitui, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) County Attorney




P.O. Box.33-90200
KITUI, Kenya

Kanyangi Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

3. The Board of Management

Ref	Directors	Details
1.	Solomon Nzuki Ndonge	Chairperson
2.	Dr. Martin Nkulet	Medical Superintendent/Secretary
3.	Samuel Wambua	Kitui Rural Sub County Administrator
4.	David Kaviti	Representative, Professional Groups
5.	Ann Kalunda Kyale	Representative, Women Groups
6.	Bernad Nyamai	Representative, Faith Based Organizations
7.	Maureen Tabitha	Representative, NYC
8.	Maurice Mbevo	Representative, PLWDs

4. Key Management Team

1.	Dr. Martin Nkulet	Medical Superintendent 
2.	Margaret Kavembe	Head of Finance Bachelor of commerce (Finance option) 
3.	Benson Mwaniki	Head of supply chain 
4.		

	Desmond Matei	Health Administrative Officer 
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5. Chairman’s Statement

As the chairman of Kanyangi sub county hospital I am honored to release our annual report for the year ended 30th June 2023 noting improvement in key performance areas, this guarantee all stakeholders interest are met and value for money achieved.

Several projects and activities were done during the period under review. The hospital got administration block and a septic tank which was constructed by Thwake dam project in partnership with the county government of kitui under Corporate Social responsibility. The people of kanyangi including staffs and patients will forever be grateful for that noble life changing project

Under the same year of review, the county government of kitui did a wonderful job by renovating the hospital Outpatient Block. It had worn-out roof, no tiles, the building now looks good and the working environment for both staffs and patients is good.

The hospital got again from the county government of kitui an imaging block. Although the unit is not yet completed, once done it will go a long way in providing imaging services such as X-ray and ultrasound, we hope the project will be completed soon.

The hospital has benefited a lot from world vision. World vision has provided several tanks for hospital. The tanks have assisted the hospital to boost its water storage capacity to cushion the hospital activities against water shortage. The hospital will forever be grateful to the world vision and the management. The hospital got walkways from Kenya Rural Roads Authority (KeRRA). The walkways which connects various hospital departments have made it easy to wheel patients from one hospital service point to the other especially the physically challenged.

The hospital has faced various challenges under the said period of review. The hospital is understaffed in some departments, the hospital lacks some critical infrastructure such as theatre, dental unit, optical unit, uncompleted imaging centre, kitchen, fence and gate, stand-alone MCH, among others. The hospital as well is not adequately funded to smoothly carry out the services owing to the high cost of living as a result of inflation and also being the only level IV hospital in the sub County it shoulders the responsibility of running the sub County. The year ended in a promising position and having all enabling policies and right frameworks we will be able to achieve our entire plans and realize our vision as we fulfill our mandate to all stakeholders.

Solomon Nzuki Ndonge
Chairperson

sign.....

6. Report of The Medical Superintendent

Kanyangi Sub District Hospital was established by Community members sometimes early in the 1970's as a dispensary. It was upgraded to a level IV Hospital in the year 2006. It is located along Kwa Vonza-Ikutha road at Kanyangi Market about 60 kilometers from Kitui town. The Hospital is situated in Kanyangi Location, Kanyangi Division, Lower Yatta Sub County, Kitui Rural Sub County, Kitui County. It was started with the aim of taking health services close to the people. The hospital lives to promote health of the community members and create conducive working environment for staffs and clients. It serves a population of about 36,000 people as well as several primary, secondary school and police stations within Kitui Rural Sub County.

Several projects and activities were done during the period under review. The hospital got administration block and a septic tank which was constructed by Thwake Multipurpose Dam Project in partnership with the county government of Kitui under Corporate Social Responsibility. The people of Kanyangi including staffs and patients will forever be grateful for that noble life changing project.

Under the same year of review, the County Government of Kitui did a wonderful job of renovating the hospital Outpatient Block. It had worn-out roof with damaged wooden doors and some windows without window panes, tiles and hand washing facilities in consultation rooms. Currently, the building has the best working environment for both staffs and patients. Furthermore, the County Government is building an imaging block. Although the unit is yet to be completed, once done it will go a long way in providing imaging services such as X-ray and ultrasound. We hope and pray that the project is completed soon.

The hospital has benefited a lot from World Vision especially in areas of sanitation. We received several water tanks for water harvest and storage to cushion the hospital activities against water shortage. The hospital will forever be grateful to the world vision and the management.

The hospital got walkways from Kenya Rural Roads Authority (KeRRA) for easy accessibility to various hospital departments by both patients especially those with physical challenge and hospital staffs.

Despite all these progress, the hospital has faced equal measure of challenges under the said period of review. The hospital is understaffed, lacks some critical infrastructure such as theatre, dental unit, optical unit, uncompleted imaging centre, kitchen, fence and gate, stand-alone MCH, among others. In addition, The hospital is not adequately funded to smoothly carry out the services owing to the high cost of living as a result of inflation.

We look forward to have Kanyangi Sub County Hospital as the best Referral Hospital in the region and beyond through the support from the County Government of Kitui, National Government, our partners and well-wishers including Non-governmental organizations.

Dr. Martin Nkulet
Medical Superintendent

sign.....

7. Statement of Performance Against Predetermined Objectives

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

Kanyangi Sub-County Hospital does not have strategic pillars/ themes/issues and objectives.

8. Corporate Governance Statement

Kanyangi Sub County Hospital management committee was established in accordance with the Kitui County health facilities management committee act, 2014 and was gazetted on 14th February 2023 under gazette notice number

Membership

The total membership of the committee is Nine (9) members who were nominated by the County Executive Committee Member for Health and Sanitation Dr.Ruth Isika and forwarded to the Governor, Kitui County for approval.

The committee consists of: -

1. The chairperson Mr Solomon Nzuki Ndonge who was nominated by the County Executive Committee Member for Health and Sanitation and approved by the Governor Kitui County
2. The secretary to the committee Dr. Martin Nkulet who is the Medical superintendent of the hospital
3. The Sub-County Administrator Mr Samuel Wambua
4. The Business community representative Mr David Kithunga
5. Representative of professional groups Mr David Kaviti
6. Representative of womens groups- Ann Kalunda Kyale
7. Representative of Faith based organisations- Mr. Bernard Nyamai
8. Representative of Youth through the National Youth council –Maureen Tabitha
9. Representative of people living with disability – Mr. Maurice Mbevo.

Succession

The succession to the facility health management committee is as follows: -

A member of the committee, apart from the Secretary, shall hold office for a period of three years and shall be eligible for re- appointment for one further term based on the performance.

Funds of the Committee

The Hospital Management Committee shall manage all the hospital funds which consist of:

- Monies appropriated by the County Assembly;
- Grants or donations
- Monies received as user charges
- Income generated from the proceeds of the services
- Any other monies

Meetings of the Committee

- (a) The committee shall meet at least four times a year and shall maintain records for its deliberations and shall further allow room for emergency meetings in case of outbreaks or disasters.
- (b) The quorum for the meeting of the committee shall be five of all the members including the secretary.
- (c) The secretary shall maintain records for all committee deliberations.
- (d) The Committee shall, not later than twenty-eight (28) days after a meeting, submit copies of the minutes and reports of that meeting to the County Executive Committee Member and the committee members.
- (e) A meeting of a committee shall be held at the hospital in respect of which the committee is established.

- (f) The County Executive Committee Member may attend any meeting of a committee, provided the area members of the county assembly in the sub-county where the hospital is situated shall be at liberty to attend any meetings of the committee in furtherance of their oversight role.

Functions of the Hospital Management Committee

The committee shall –

- (a) Supervise and control the administration of the funds allocated to Kanyangi hospital
- (b) The hospital management committee shall through minutes' request for the authority to open and operate a bank account from the County Executive Committee Member
- (c) Prepare specific hospital work plans based on the estimated expenditure and drugs stocking levels based on usage.
- (d) Cause to be kept basic books of accounts
- (e) Cause to be kept records of accounts of income, expenditure, assets and liabilities of the hospital.
- (f) Prepare and submit to the Chief officer in the department of health and sanitation certified periodical financial and performance reports as prescribed
- (g) Cause to be kept a permanent record of all its deliberations
- (h) Ensure planning that is consistent with the National and County Government policies, laws and regulations.
- (i) Review and approve all hospital plans including but not limited to development plans, service delivery plans and activities plans
- (j) Provide oversight to the hospital
- (k) Approve and authorise hospital budgets and expenditure.

Core responsibilities of the Kanyangi sub county hospital Management Committee

The responsibilities of the committee are outlined as follows: -

- (a) Overseeing hospital performance improvement
- (b) Participating in planning for the hospital
- (c) Mobilising resources for hospital improvement
- (d) Overseeing the financial operations of the hospital
- (e) Ensuring development of human resources
- (f) Ensuring compliance with environmental regulations and standards
- (g) Enhancing relationships and partnerships
- (h) Mitigating potential conflict of interest
- (i) Risk management
- (j) Regulatory compliance

Vacation of office and remuneration of the committee members.

A member of the Committee shall cease to hold office: -

- (a) if a member is absent from three consecutive meetings of the committee without permission from the chairperson
- (b) in the case of a member of a public benefits organization, the member ceases to hold the office by virtue of which his or her nomination was made
- (c) a member is convicted of a criminal offense and sentenced to a term of imprisonment of six months or more or a fine exceeding one hundred thousand Kenya shillings
- (d) a member ceases to reside or practice in the area of hospital jurisdiction
- (e) a member voluntarily resigns in writing from the committee formally

- (f) a member is found to be unfit to hold the position on medical grounds
- (g) a member dies
- (h) a member is involved in an act resulting to conflict of interest with the position held by the member
- (i) a member is guilty of gross misbehaviour or misconduct
- (j) a member is found to be incompetent to hold the position
- (k) a member is convicted of an offence involving dishonesty or fraud
- (l) a member is adjudged bankrupt or enters into a composition scheme of arrangement with his or her creditors or
- (m) a genuine petition from the public is lodged against the member.

Remuneration: -

The member's remuneration shall be determined by the Salaries and Remuneration Commission.

Relationship between the Hospital Management team and Hospital Management Committee

- (1) The Hospital Management committee shall notify the hospital management team of all its meetings and ensure that the minutes and plans of every meeting are supplied to the hospital management team within seven (7) days of its meetings.
- (2) The hospital management team shall ensure that the minutes received under this section are forwarded to the Chief officer in the county ministry of health and sanitation who shall in turn brief the County Executive Committee member on the minutes and plans.

9. Management Discussion and Analysis

The following is a brief outline of management discussion and analysis: -

Clinical/operational performance

Kanyangi Sub County Hospital being geographically centrally located within Kitui Rural receives patients from Kanyangi Ward and its environs

The Maternity ward has an 18-bed capacity while the inpatient rooms are 18 bed capacity

The facility also has a 1-bed accident and emergency room used for casualty patients.

In the year ended June 2023, the target population for the year was 13420 A total of 1580 patients were seen at the outpatient which surpassed the target population for the year.

SPECIALISED CLINIC ATTENDANCE

The following line graphs show the special clinics attendance for year ended June 2023 including Medical outpatient clinic (MOPC), Comprehensive care clinic (CCC) for HIV patients and Tuberculosis (TB) clinic.

There is a significant drop in MOPC clients towards the end of the fourth quarter which can be explained by lack of an insurance scheme and hard economic conditions and low income for the patients and thus could not access health care since the patients did not have any other form of health insurance to cover for their care.

Notes

The surgical theatre is not operational and currently houses the facility Laboratory, CCC clinic, Kitchen and Food store. In this regard only, minor operations under local anaesthesia are performed within the facility.

The facility also partnered with World Vision for the construction of two toilets in this financial year.

Financial performance that includes

Revenue is collected as service fees for the health care services administered to the patients

The revenue streams included NHIF and via MPESA to the Kitui County Government Paybill number 815815.

The Major revenue source for the facility are the funds that are disbursed from the County government in the form of FIF (facility improvement funds)

The following table is a summary of the revenue collection for the period ending 30th JUNE 2023. A much more detailed outline of the same is highlighted in a later section of this statement.

Below is a consolidated summary of income and expenditure for the last 2 financial years

FINANCIAL YEAR	2021/2022	2022/2023
	Kshs.	Kshs.
Income	4,920,600	5,826,216.45
Income From Rendering Services	1,615,135	3,587,470
Expenditure	7,003,787	9,447,750
Difference	(468,052)	(34,073.55)

The funds were mainly used to run the day-to-day activities of the facility including Food and ration, Cleaning materials, Casual wages, Locums, Daily subsistence allowances, Records materials, Water and Sewerage, Electricity, Fuels, Station Maintenance among others.

The summary breakdown is as follows;

Employee cost **Kes.739,200.00 _12.31%**
Medical cost **Kes.1,714,780.00 – 28.53%**
Repair and Maintenance **Kes.701,600.00 – 11.79%**
General Cost **Kes. 2,479,000.00-41.91%**
Board of management **kes. 196,200-3.87%**

Dr. Martin Nkulet
Medical Superintendent

Sign.....

10. Environmental And Sustainability Reporting

Kanyangi 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 facility management has been working closely with all the County and local governance to achieve the facility's objectives for the year.

ii) Environmental performance

Kanyangi Sub County hospital is committed towards environmental sustainability.

The facility management seeks to unify all the key stakeholders: employees, management, partners, shareholders, patients and the community at large towards these efforts. Kanyangi hospital environmental policy is currently in the process of being developed in close partnership with these stake holders.

Part of the efforts that the facility is putting towards environmental sustainability include planting of trees and greenery within the hospital compound, maintaining a clean and neat hospital compound and prudent use of water among others. We also have put in place water harvesting projects during the rainy season using the gutter system to harvest water into storage tanks.

The facilities waste disposal system follows the Kenya national guidelines for safe management of health care waste which includes the safe practices for management of medical waste.

The facility however has challenges with implementing this policy fully as it lacks an incinerator which is important for the disposal of sharp waste. Currently the facility utilises the burning chamber at Kisasi health centre to dispose of the sharps waste.

The other general waste is disposed of at the facility ash pit.

iii) Employee welfare

The employee hiring policy is being cascade down by the county government and ministry of health and sanitation.

iv) Market place practices-

The following are the efforts of Kanyangi sub county hospital to: -

a) Responsible competition practice.

The facility is committed to upholding responsible competition price practices and selects its suppliers based on the guidelines outlined by the County government. The Supplies, commodities

and services rendered are reviewed and audited periodically by the health management team of the facility.

b) Responsible Supply chain and supplier relations

The facility management in conjunction with the supply chain manager's endeavours to maintain good business practices by honouring contracts given to suppliers and upholding payments in the timeliest manner possible.

c) Responsible marketing and advertisement

The facility endeavours to outline ethical marketing practices by adhering to the county government guides on marketing and advertisement.

d) Product stewardship

The facility also endeavours to safeguard consumer rights by educating consumers on their rights through public addresses, personal interviews and posters displaying the same information.

A patient complaints and compliments book is available should patients and clients feel the need to register complaints or compliments received while receiving a service at the facility

v) Corporate Social Responsibility / Community Engagements

The facility management in close liaison with the board of management, County government of Kitui, the Kitui Rural sub county management team, Public health officers, Health promotion officers have endeavoured to carry activities of community engagement including giving health talks at chiefs baraza several times, massive deworming and nutrition campaigns in conjunction with NGOs, organizing a vulnerable people's group in the form of table banking for the CCC clients among others

11. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2023, which show the state of the Kanyangi Sub-County Hospital affairs.

Principal activities

The principal activities of the entity are provision of quality medical health care services to the patients, patients support and administration.

Results

The results of the entity for the year ended June 30, 2023 are set out on page 1 to page 9

Board of Management

The members of the Board who served during the year are shown on page vi. During the year no director retired/ resigned and there was no additional one appointed.

Auditors

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

By Order of the Board

Dr Martin Nkulet.....
Secretary of the board.

12. Statement of Board of Management’s Responsibilities

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

The Board of Management is responsible for the preparation and presentation of financial statements, which give a true and fair view of the state of affairs of *Kanyangi Level IV Hospital* as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of *Kanyangi Level IV Hospital*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.


The Board of Management accepts responsibility for the *Kanyangi Level IV Hospital* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the *Kanyangi Level IV Hospital* financial statements give a true and fair view of the state of *Kanyangi Level IV Hospital* transactions during the financial year ended June 30, 2023. Board members further confirm the completeness of the accounting records maintained for the *Kanyangi Level IV Hospital*, which have been relied upon in the preparation of the *Kanyangi Level IV Hospital* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

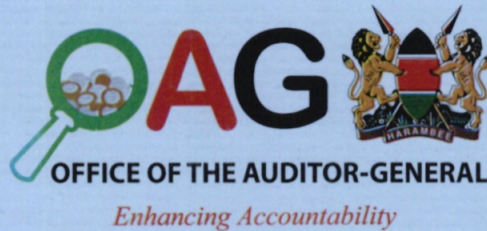
The Hospital’s financial statements were approved by the Board on 5th JULY 2023 and signed on its behalf by:

.....
Name: Solomon Nzuki Ndonye
Chairperson
Board of Management


.....
Name: Dr. Martin Nkulet
Accounting Officer

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 KANYANGI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF KITUI

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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 the 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 Kanyangi Level 4 Hospital - County Government of Kitui set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of cash flows and statement of comparison of budget and actual amounts for

Report of the Auditor-General on Kanyangi Level 4 Hospital for the year ended 30 June, 2023 - County Government of Kitui

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 Kanyangi Level 4 Hospital - County Government of Kitui 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. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil balance on property, plant and equipment. However, physical inspection revealed various undisclosed assets at the close of the financial year. Further, the land on which the Hospital is built and the developments therein did not have ownership documents. The land size could not be determined as the documents were not provided for audit.

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

2. Inaccuracies in the Statement of Cashflows

The statement of cash flows reflects cash and cash equivalents cash balance of Kshs.26,601 as at 30 June, 2023. However, recomputation yielded a negative balance of Kshs.331,790 resulting in an unexplained variance of Kshs.358,391. Further, the statement reflects Nil comparative balance for cash and cash equivalents instead of the audited financial statements negative balance of Kshs.297,916.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

3. Inaccuracies in the Capital Fund Balance

The statement of financial position reflects capital fund balance of Kshs.3,678,076, while the statement of changes in net assets reflects Nil balance resulting in unexplained difference of Kshs.3,678,076.

In the circumstances, the accuracy and completeness of the capital fund balance of Kshs.3,678,076 could not be confirmed.

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

The statement of financial performance reflects employee costs of Kshs.739,200 for casuals and contractual staff as disclosed in Note 9 to the financial statements. The Hospital received services from medical staff employed and paid by the County.

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

In the circumstances, the accuracy and completeness of employee costs of Kshs.739,200 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kanyangi 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 judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on and Effectiveness of Internal Controls, Risk Management and Governance. However, some issues remained unresolved as at 30 June, 2023 contrary to Section 149 (2) (1) of Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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. Errors in the Presentation and Disclosures of the Financial Statements

Review of the financial statements reflect the following errors and inaccuracies;

- i. Page vi and vii on Board of management and key management team details did not include professional and academic qualifications of those who served during the year.
- ii. The Chairperson did not append his/her signature in the annual report and financial statements for the Hospital.
- iii. The statement of performance and statement of financial position were signed by the head of finance. However, the ICPAK membership number was not disclosed in the financial statements.
- iv. The statement of financial performance reflects in-kind contributions from the County Government of Kshs.57,948,361. However, the said Note relates to rendering of services-medical service income.
- v. Appendix I on progress on follow-up of auditor recommendations was not populated with the prior year audit issues and status as is required by the reporting template.

In the circumstances, the presentation and disclosures of the financial statements were not in conformity with the Public Sector Accounting Standards Board Reporting Template

2. Failure to Prepare Quarterly Revenue Reports

The statement of financial performance reflects Kshs.3,587,470 in relation to the rendering of services – medical as disclosed in Note 7 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County-Treasury with a copy to the Auditor-General. This was contrary to Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

3. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in April, 2024 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eighty-five (85) or 84% of the authorized establishment.

Personnel	Level 4 Standard	Current Number	Variance	Percentage %
Medical Officers	16	3	13	81
Anesthesiologists	2	0	2	100
Gynecologists	2	0	2	100
General Surgeons	2	0	2	100
Padiatricians	2	0	2	100

Personnel	Level 4 Standard	Current Number	Variance	Percentage %
Registered Community Health Nurses	75	13	62	83
Radiologists	2	0	2	100
Total	101	16	85	84

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

Item	Level 4 Standard	Current Number	Variance	Percentage %
Bed Capacity	150	22	128	85
Resuscitaire in Theatre	1	0	1	100
Functional ICU Beds	6	0	6	100
Functional HDU Beds	6	0	6	100
Incubators in New Born Unit	5	0	5	100
HDU cots in New Born Unit	6	2	4	67
Operating Theatres (General & Maternity)	2	0	2	100
Renal Unit with Dialysis Machines	5	0	5	100

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

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

4. Unregistered Pharmacy Pharmacy and Poisons Board

Review of Hospital's records revealed that the facility's pharmacy is not registered with the Pharmacy and Poisons Board as required by Section 23(1) of Pharmacy and Poisons Act Cap 244.

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

5. Unutilized Medical Equipment under Managed Equipment Services

Physical inspection of the Hospital equipment revealed high-value medical equipment comprising of X-Ray machines, multi-purpose operating table, midray anesthesia machine, emergency aspirator and dental chair that were not in use.

In the circumstances, the value for money on managed equipment services program could not be confirmed

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 which

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 effect of 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. Inadequacy of Storage Space

Physical verification of the Hospital storage space for pharmaceutical and non-pharmaceutical products revealed that the Hospital did not have adequate storage space. As a result, medical products were piled together in improvised stores which do not meet the required storage standards. This may result in contaminations and difficulties in applying First Expiry First Out method in stocks issuance. Further, the stock take reports submitted for audit were conducted by the store keeper instead of a committee for credibility of the inventories as at 30 June, 2023.

In the circumstances, the internal controls and risk management of the stores may not be effective.

2. Failure to Maintain Fixed Assets Register

The Hospital did not maintain a comprehensive asset register including cost of assets, depreciation rates, for parcels of land and each building: - the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal of major change in use, capital expenditure, lease hold terms, maintenance contracts and other pertinent management details. However, Management provided for audit an unvalued fixed asset register that included the name of the asset, location of the asset, some serial number and the status of the asset. Further, Management did not conduct valuation of assets and therefore their values as at 30 June, 2023 remained undetermined.

In the circumstances, the internal controls and risk management of the assets may not be effective.

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 sustain its services, disclosing, as applicable, matters related to sustainability of services unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 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 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 June, 2024

Kanyangi LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023


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

Description	Notes	2022/23	2021/22
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	5,814,716.45	4,920,600
In- kind contributions from the County Government		57,948,361	-
Grants from donors and development partners		-	-
Transfers from other Government entities			
Direct cash deposit		11,500	-
Revenue from non-exchange transactions		63,774,577	4,920,600
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	3,587,470	1,615,135
Revenue from rent of facilities		-	-
Finance /Interest Income		-	-
Other income (<i>specify</i>)		-	-
Revenue from exchange transactions		3,587,470	1,615,135
Total revenue		67,362,047	6,535,735
Expenses			
Medical/Clinical costs	8	1,714,780	2,008,080
Employee costs	9	739,200	723,100
Board of Management Expenses	10	196,200	70,000
Refund to the county Government	13	3,587,470	1,615,135
In- kind contributions from the County Government	7	57,948,361	-
Repairs and maintenance	11	701,600	877,562
General expenses	12	2,497,010	1,709,910
Direct cash deposit		11,500	-
Total expenses		67,396,121	7,003,787
Total other gains/(losses)		-	-
Net Surplus/Deficit for the year		(34,073.55)	(468,052)

Kanyangi LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023

The notes set out on pages 6 to 30 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 5TH JULY 2023 and signed on its behalf by:

.....
Solomon Nzuki Ndonye Chairman	<i>W</i> <i>Wanjie Mwa</i> Head of Finance	 Dr. Martin Nkulet Medical Superintendent
.....

Kyangi LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023


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


Description	Notes	2022/23	2021/22
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	26,601	(297,716)
Receivables from exchange transactions		-	-
Receivables from non-exchange transactions		-	-
Inventories	17	4,874,394	1,406,010
Total Current Assets		4,900,995	1,108,094
Non-current assets			
Property, plant, and equipment		-	-
Total Non-current Assets		-	-
Total assets		4,900,995	1,108,094
Liabilities			
Current liabilities			
Trade and other payables	19	1,725,045	438,930
Current portion of borrowings		-	-
Total Current Liabilities		1,725,045	438,930
Non-current liabilities			
Provisions		-	-
Total Non-current liabilities			
Total Liabilities		1,725,045	438,930
Net assets			
Revaluation reserve		-	-
Accumulated surplus/Deficit		(502,125.5)	(468,052)
Capital Fund		3,678,076	-
			-
Total Net Assets and Liabilities		4,900,995	201,112

The Hospital's financial statements were approved by the Board on 5TH JULY 2023 and signed on its behalf by:

Kanyangi LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023

.....
Solomon Nzuki Ndonye
Chairman


.....
Head of Finance


.....
Dr. Martin Nkulet
Medical Superintendent

Kanyangi LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021	-	-	-
Revaluation gain	-	-	-
Surplus/(deficit) for the year	(468,052)	-	(468,052)
Capital/Development grants	-	-	-
As at June 30, 2021	(468,052)	-	(468,052)
At July 1, 2022	(468,052)	-	(468,052)
Revaluation gain	-	-	-
Surplus/(deficit) for the year	(34,073.55)	-	(34,073.55)
Capital/Development grants	-	-	-
At June 30, 2023	(502,125.5)	-	(502,126)

The Hospital's financial statements were approved by the Board on 5TH JULY 2023 and signed on its behalf by:

.....
Solomon Nzuki Ndonye
Chairman
Board of Management

Winnie Njue

Head of Finance

[Signature]

Dr. Martin Nkulet
Medical Superintendent

Kanyangi LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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


Description	Note	2022/23	2021/22
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	5,814,716.45	4,920,600
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income	8	3,587,470	1,615,135
Revenue from rent of facilities		-	-
Finance / interest income		-	-
<i>Direct cash Deposit</i>		11,500	-
Total Receipts		9,413,686.45	6,535,735
Payments			
Medical/Clinical costs	8	1,714,780	2,008,080
Employee costs	9	739,200	723,100
Board of Management Expenses	10	196,200	70,000
Repairs and maintenance	11	701,600	877,562
Refunds to county Government	7	3,587,470	1,615,135
General expenses	12	2,497,010	1,709,910
Direct cash deposit		11,500	-
Refunds paid out		-	-
Total Payments		9,447,750	7,003,787
Net cash flows from operating activities		(34,073.55)	(468,052)
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		(-)	(-)
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		(-)	(-)
Net cash flows used in investing activities		(-)	(-)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Capital grants received		-	-
Net cash flows used in financing activities		(-)	(-)

Kanyangi LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Net increase/(decrease) in cash and cash equivalents		(34,073.55)	(468,052)
Cash and cash equivalents at 1 July	14	(297,716)	-
Cash and cash equivalents at 30 June	14	26,601.25	-

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

The notes set out on pages 10 to 39 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 5th JULY 2023 and signed on its behalf by:

.....
Solomon Nzuki Ndonye	<i>Winnie Mwa</i>	
Chairman	Head of Finance	Dr. Martin Nkulet
Board of Management		Medical Superintendent

18. Statement of Comparison of Budget and Actuals for Year Ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	B	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	6,000,000	-	6,000,000	5,814,716.45	185,283.55	100%
Grants from donors and development partners	-	-	-	-	-	-
Transfers from other Government entities	-	-	-	-	-	-
Direct cash deposit	11,500	-	11,500	11,500	0	-
Rendering of services- Medical Service Income	-	-	-	-	-	-
Revenue from rent of facilities	-	-	-	-	-	-
Finance / interest income	-	-	-	-	-	-
Total income	6,011,500	-	6,011,500	5,826,216.45	173,783.55	100%
Expenses						
Medical/Clinical costs	1,817,478	-	1,817,478	1,714,780	102,698	94%
Employee costs	750,300	-	750,300	739,200	11,100	98%
Remuneration of directors	180,500	-	180,500	196,200	17,600	90%
Repairs and maintenance	750,862	-	750,862	701,600	49,262	93%
Direct cash deposit	11,500	-	11,500	11,500	0	100%
General expenses	2,500,860	-	2,500,860	2,497,010	3,850	99%
Finance costs	-	-	-	-	-	-
Refunds	-	-	-	-	-	-
Total expenditure	6,011,500	-	6,011,500	5,860,290	-	-
Surplus/Deficit for the period	-	-	-	(34,073.55)	-	-

The notes set out on pages 10 to 39 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 5th JULY 2023 and signed on its behalf by:

Kanyangi LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2023

During the year ended 30th June 2023 the disbursements made to Kanyangi Hospital amounted to Ksh. 5,826,216.45 against the budgeted Ksh. 6,011,500 leading to a negative variance of Ksh. 173,783.55

.....

Solomon Nzuki Ndonge
Chairman

Board of Management

.....

Winnie Njiru
Head of Finance

[Signature]

.....

Dr. Martin Nkulet
Medical Superintendent

19. Notes to the Financial Statements

1. General Information

Kanyangi Sub County Hospital was established by and derives its authority and accountability from The Medical Practitioners and Dentists Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide medical healthcare withing and outside its subcounty.

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 18 The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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><i>Kanyangi Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social</p>

Kanyangi Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Standard	Effective date and impact
	<p>benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>Kanyangi Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>Kanyangi Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p>

Kanyangi Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Standard	Effective date and impact
	<ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <i>Kanyangi Level 4 Hospital did not adopt any new or amended standards in the financial year</i>

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><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>Kanyangi Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires:-</p> <ol style="list-style-type: none"> <i>i.</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: <i>ii.</i> Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <p><i>Kanyangi Level 4 Hospital did not adopt any new or amended standards in the financial year</i></p>

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

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from the 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.

b. Budget information

The original budget for FY 2022/2023 was approved by Board at the start of the financial year. 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 hospital did have any additional appropriations in the FY budget following the Board's approval. The Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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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 5 under section 18 of these financial statements.

c. Taxes

Value Added Tax, PAYE, Withholding Tax

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

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

d. 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

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)

e. Inventories

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

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

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

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

f. Related parties

The Hospital 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 hospital, or vice versa. Members of key management are regarded as related parties and comprise the directors, the board of management members, and the medical superintendent who is the manager of the hospital.

g. 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 Hospital recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together

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with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

h. 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.

i. Comparative figures

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

j. 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.

Notes to the Financial Statements (Continued)

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

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Notes to Financial Statements (Continued)

6. Transfers from the County Government

Description	2022/2023	2021/2022
	KShs	KShs
Operational grant	5,814,716.45	4,920,600
Total government grants and subsidies	5,814,716.45	4,920,600

6 b Transfers from The County Government

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	2021/2022
	KShs	KShs			
			KShs	KShs	KShs
Kitui County Government	5,814,716.45			5,814,716	4,920,600
Direct cash deposit	11,500			11,500	
Total	5,826,216.45			5,826,216.4	4,920,600

7. Rendering of Services-Medical Service Income

Description	2022/23	2021/22
	KShs	KShs
Transfer from National Hospital	3,587,470.00	1,615,315
Total Transfers	3,587,470.00	1,615,315

8. Medical/ Clinical Costs

Description	2022/23	2021/22
	KShs	KShs
Food and Ration	539,600	902,800
Health information stationery	943,180	666,730
Sanitary and cleansing Materials	232,000	438,550
Total medical/ clinical costs	1,714,780	2,008,080

Kyangi Level 4 Hospital (Kitui County Government)
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Notes to Financial Statements (Continued)

9. Employee Costs

Description	2022/23	2021/23
	KShs	KShs
Salaries, wages, and allowances	708,400	697,900
Staff medical expenses and Insurance cover	30,800	25,200
Employee costs	739,200	723,100

10. Board of Management Expenses

Description	2022/23	2020/21
	KShs	KShs
Sitting allowance	196,200	70,000
Total	196,200	70,000

11. Repairs And Maintenance

Description	2022/23	2021/22
	KShs	KShs
Property- Buildings	440,000	472,762
Motor vehicle expenses	261,600	404,800
Total repairs and maintenance	701,600	877,562

12. General Expenses

Description	2022/23	2021/22
	KShs	KShs
Bank charges	18,010	15,840
Electricity expenses	40,000	100,760
Travel and accommodation allowance	412,600	78,310
Standing Imprest	251,000	345,000
Water and sewerage costs	115,000	60,000
Telephone and mobile phone services	142,000.	-
Fuel	1,518,400	1,110,000
Total General Expenses	2,497,010	1,709,910

Kanyangi Level 4 Hospital (Kitui County Government)
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Notes to Financial Statements (Continued)

13. Refunds to The County Government

Description	2022/2023	2021/2022
	KShs	KShs
Transfer to the County Government	3,587,470	1,615,135
Total transfers to County Government	3,587,470	1,615,135

14. Cash And Cash Equivalents

Description	2022/23	2021/22
	KShs	KShs
Current accounts	26,601.25	(297,916)
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	26,601.25	(297,916)

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

Description	Account number	2022/23	2021/23
		KShs	KShs
a) Current account			
National Bank	01001036319100	26,601.25	(297,916)
Totals		26,601.25	(297,916)

15. Receivables From Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Medical Services Receivables	-	-
Total receivables	-	-

14 (a). Analysis of Receivables From Exchange Transactions

Description	2022/2023		2021/2022	
	2022/2023	% of the total	2021/2022	% of the total
Less than 1 year	-	-		%
Total	-	-		%

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Notes to Financial Statements (Continued)

16. Receivables From Non-Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Transfers from the County Government		
Total		

15 (a) Analysis of Receivables From Non-Exchange Transactions

Description	2022/2023		2021/2022	
	Kshs		Kshs	
	2022/2023	% of the total	2021/2022	% of the total
Less than 1 year				%
Total (a+b)				%

17. Inventories

Description	2022/23	2021/22
	KShs	KShs
Pharmaceutical supplies	1,930,066.00	1,385,100
Maintenance supplies	660,876	20,910
Food supplies	-	-
Linen and clothing supplies	-	-
Cleaning materials supplies	-	-
General supplies	2,283,452.80	-
Less: provision for impairment of stocks	(-)	(-)
Total	4,874,394	1,406,010

Kanyangi Level 4 Hospital (Kitui County Government)
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Notes to Financial Statements (Continued)

18. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2023								
Additions								
Disposals								
Transfers/adjustments								
At 30th Jun 2023								
At 1 July 2023								
Additions								
Disposals								
Transfer/adjustments								
At 30th Jun 2023								
Depreciation and impairment								
At 1 July 2023								
Depreciation for the year								
Disposals								
Impairment								
At 30 June 2023								

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At July 2023								
Depreciation								
Disposals								
Impairment								
Transfer/adjustment								
At 30th June 2023								
Net book values								
At 30 th Jun 2023 (previous)								
At 30 th Jun 2023 (current)								

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Notes to the Financial Statements (Continued)

19. Trade and other Payables

Description	2022/2023		2021/2022	
	KShs		KShs	
Trade payables	1,725,045		438,930	
Total trade and other payables	1,725,045		438,930	
Ageing analysis:	Current FY	% of the Total	Compa rative FY	% of the total
1-2 years	1,725,045	100%	438,930	%
2-3 years		%		%
Over 3 years		%		%
Total	1,725,045	100%	438,930	%

20. Cash Generated from Operations

Description	2022/2023		2021/2022	
	KShs		KShs	
Surplus for the year before tax	(34,073.55)		(468,052)	
Adjusted for:				
Depreciation	-		-	
Non-cash grants received	-		-	
Working Capital adjustments				
Increase in inventory			-	
Increase in receivables			-	
Increase in payables			-	
Net cash flow from operating activities			-	

Notes to the Financial Statements (Continued)

21. 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 2023 (previous year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2023 (current year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances	26,601	26,601		
Total	26,601	26,601		

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Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The 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 2023				
Trade payables				
Total				
At 30 June 2023				
Trade payables				
Total				

Notes to the Financial Statements (Continued)

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the 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
	Kshs		Kshs
At 30 June 2023			
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
2023 (previous year)			
Euro	10%		
USD	10%		
2023 (current year)			
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 (2023: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (2023 – 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		
Capital reserve		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/ (<i>excess cash and cash equivalents</i>)		
Gearing		

Kyangi Level 4 Hospital (Kitui County Government)
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Notes to the Financial Statements (Continued)

22. 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.

Kitui County Government is the principal shareholder of the *entity*, 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 NHIF		
Sales of services		
Total		
b) Grants from the Government		
Grants from County Government		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages		
Payments for goods and services		
Total		
d) Key management compensation		
Directors' emoluments		

Kanyangi Level 4 Hospital (Kitui County Government)
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Description	2022/2023	2021/2022
	Kshs	Kshs
Compensation to the medical Sup		
Compensation to key management		
Total		

23. Segment Information

The Hospital operates in kitui rural Sub-County, Kitui County

24. Events after the Reporting Period

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

25. Ultimate and Holding Entity

The Hospital is a Semi- Autonomous County Government Agency under the Ministry of Health. Its ultimate parent is the County Government of Kitui.

26. Currency

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

20. **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)

.....
Accounting Office

Kanyangi Level 4 Hospital (County Government Of Kitui)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Appendix II: Inter-Entity Confirmation Letter

Kanyangi Sub-District Hospital
P.O. Box 613-90401
Kanyangi

The Kanyangi Level 4 Hospital wishes to confirm the amounts disbursed to the hospital as at 30th June 2023 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 [Kanyangi Level 4 Hospital] as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023			Total (D)=(A+B+C)	Amount Received by [Kanyangi level iv hospital] (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)			
1075724	3/7/2022	336,087.45			336,087.45	336,087.45	
1077058	14/8/2022	500,000			500,000	500,000	
1077058	13/9/2022	500,000			500,000	500,000	
1078025	29/9/2022	500,000			500,000	500,000	
1080590	24/10/2022	500,000			500,000	500,000	
1080590	21/11/2022	500,000			500,000	500,000	
1080589	23/12/2022	500,000			500,000	500,000	
1082217	31/1/2023	500,000			500,000	500,000	
1083541	1/2/2023	500,000			500,000	500,000	

Kanyangi Level 4 Hospital (County Government Of Kitui)
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1084271	30/3/2023	500,000			500,000	500,000	
1085453	28/4/2023	500,000			500,000	500,000	
1087198	9/6/2023	<u>478,629</u>			478,629	478,629	
Direct Cash deposit	24/3/2023	<u>10,000</u>			10,000	10,000	
1082266 Direct Cash deposit	1/11/2022	1,500			1,500	1,500	
TOTAL		5,826,216.45			5,826,216.45	5,826,216.45	

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

Head of Accounts Department of the Kanyangi Level 4 Hospital:

Name Sign Date