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**REPORT**

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**THE AUDITOR-GENERAL**

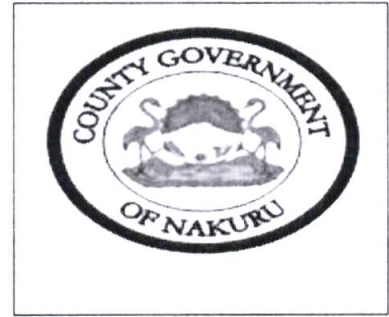
**ON**

**BAHATI SUB-COUNTY  
LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF NAKURU**

Revised Date 30<sup>th</sup> June 2023



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# **BAHATI SUB-COUNTY LEVEL 4 HOSPITAL (Nakuru County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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## 1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
BSCH	Bahati Sub-County Hospital
HMC	Hospital Management Committee
HMT	Hospital Management Team
PM	Per Month
OPD	Out Patient Department
MOPC	Medical Outpatient Clinic
IPSAS	International Public Sector Accounting Standards
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
KENAS	Kenya Accreditation Service
FIF	Facility Improvement Fund
DOH	Department of Health
CECM	County Executive Committee Member
MCA	Member of County assembly
ECL	Expected Credit Loss
ICT	Information and Communication Technology

## **2. Key Entity Information and Management**

### **a) Background information**

BSCH is a level 4 hospital established under gazette notice number 157 dated 30/7/2021 and is domiciled in Nakuru North Sub-County under the health department. The hospital is governed by a Hospital Management Committee (HMC). Bahati Sub-County Hospital was started in 1979 as a Rural Health Demonstration Centre (RHDC). In the year 1978, an organization called Mutukanio/Gwataniro identified and located 8 acres' piece of land for its construction.

The construction funds were donated/ provided by DANIDA. By the year 1981, no health facility was completed and became operational and by November 2007, it was elevated to serve as a district hospital when Nakuru North District was curved from the large Nakuru District.

The facility serves a catchment population of approximately 303,214 people (based on projected population of 2019 (According to 2019 Kenya Population and Housing Census KPHC) and act as a referral centre for; Kabatini Health centre, Engashura Health centre, Dundori Health centre, Subukia Sub-County Hospital, Kabazi Sub-County Hospital among other health centres, dispensaries and nearby private level 4 hospitals. On the dawn of devolution (2012), the health facility was gazette as Bahati Sub-County Hospital (BSCH) The Kenya Gazette of 30<sup>th</sup> July, 2021.

### **(b) Principal Activities**

#### **Vision**

The Vision of Hospital is for a healthy county.

#### **Mission**

The mission is to provide integrated, accessible, responsive and quality healthcare services for all.

**Core Values**

Customer focused      Professionalism      Integrity  
 Equity and Equality      Transparency      Accountability  
 Teamwork      Creativity & Innovation

The vision of the hospital is to become a Center of Excellence in quality healthcare services, while its mission is to provide accessible, responsive, quality healthcare services through creativity and innovation. The main mandate of BSCH is to provide curative, preventive, promotive and rehabilitative health services. It offers specialized clinical services in a few selected disciplines.

It serves as a center for training for middle level college students and other related health workers. The following are the key objectives of the hospital:

- To provide high quality healthcare services
- To provide specialized healthcare services
- To serve as a center that can be utilized by local stakeholders for development or implementation of health policies.
- To build and strengthen partnership and sector coordination.
- To advocate and mobilize adequate funds to the hospital.

**(c) Key Management**

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

- County department of health
- County Department of Finance
- Hospital Management Committee (HMC)
- Accounting Officer/ Medical Superintendent
- Hospital Management Team (HMT)

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	Dr Kennedy Owino
2.	Sub-county Accountant	Agnes Mungai
3.	Head of finance	Fannuel k. Lelon
4.	Head of supply chain	Miriam njonge
5.	Head of Nursing Services	Jane Wanyoike
6.	Head of Obs/Gynae , Clinical Services	Dr Emmanuel Wekesa

No.	Designation	Name
7.	Deputy Nursing Officer	Lucy Kinanu

**(e) Fiduciary Oversight Arrangements**

**i. The County Assembly**

The county assembly, pursuant to the constitution of Kenya, 2010 and the county Government Act 2012 under Article 8(1) has fiduciary Oversight role over the execution of the functions of the county Government. It approves the budget and expenditure of the county Government in accordance with article 207 of the constitution of Kenya. In addition, the county assembly health services committee has fiduciary oversight role.

**ii. County Executive Committee**

The County Executive Committee exercise executive authority in accordance with the constitution and County Legislation.

**iii. Internal Auditor Department**

The internal Audit department of the county Government of Nakuru ensures that internal controls exist and are diligently adhered to. The internal Audit reports to the county Audit committee.

**Key Entity Information and Management (continued)**

**(f) Entity Headquarters**

County Head Quarters  
P.O. Box 2860-20100  
Nakuru, Kenya

**(g) Entity Contacts**

Telephone:  
E-mail: [bahatihospital@gmail.com](mailto:bahatihospital@gmail.com)  
Website: [bahatihospital.com](http://bahatihospital.com)

**(h) Entity Bankers**

Kenya Commercial Bank  
Nakuru Branch  
P.O. Box 18-20100  
Nakuru, 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 2860-20100




Nakuru, Kenya Email:




[pstd.countyattorney@nakuru.go.](mailto:pstd.countyattorney@nakuru.go.ke)

[ke](mailto:pstd.countyattorney@nakuru.go.ke)



**3. The Board of Management**

Ref	Directors	Details
1.	<p>Mr. Peter Gutu</p> 	<p><b>Chairman</b></p> <p>Mr. Peter is the chairperson of the hospital management board. He has also served as a member of the hospital management Committee (2018-2022) He has a degree in Leadership and management and a diploma in business administration. He is 73 years old. He has served as a provincial personnel officer in the ministry of health as the in charge in the Rift valley province (1988-1990).</p>
2.	<p>Ms. Esther Ngenge</p> 	<p><b>Vice Chairperson</b></p> <p>Ms. Easter is the vice chairperson of the hospital management Committee. She has also served as a member of the hospital board (2018-2022). She is 55 years old</p>

<p>3.</p>	<p>Dr Owino Kennedy</p> 	<p><b>Secretary</b></p> <p>Dr Owino is the medical superintendent of the hospital and hospital management Committee secretary. He has a bachelor of dental surgery from university of Nairobi and a certificate in hospital administration from Mahidol University Bangkok Thailand He is 57 years old. He has over 29 years in the health sector and 13 years in hospital administration.</p>
<p>4.</p>	<p>Mrs. Constance Njoroge</p> 	<p><b>Member</b></p> <p>Mrs. Constance is a member of the hospital management Committee and the chairperson of the finance sub-committee 2018 to date. She has a certificate in county governance.</p>
<p>5.</p>	<p>Mr. Lawrence Miano</p> 	<p><b>Member</b></p> <p>Mr. Lawrence is a member of the hospital management Committee. He has a diploma in officiating Athletics, a certificate in sports management and a certificate in supervisory management. He has been a member of the hospital board since March 2022.He is 70 years old.</p>

6.	<p>Mr. Nixon K. Morogo</p> 	<p><b>Member</b></p> <p>Hon. Nixon is a member of the hospital management Committee Since March 2022 to date. He is the chairman of the Audit subcommittee and he is the former chairperson of the hospital management board (2018-2022). He has a diploma in Early childhood development education.</p>
7.	<p>Mr. Peter Ndung'u</p> 	<p><b>Member</b></p> <p>Mr. Peter is a member of the hospital management Committee Since March 2022 to date. He is a member of the Audit subcommittee He has an O level certificate. He is 53 years old.</p>
8.	<p>Mr. Collins Oduor</p> 	<p><b>Member</b></p> <p>Mr. Collins is a member of the hospital management Committee and the chairperson of quality of healthcare subcommittee since March 20202 to date. He has a diploma in human resource management, a certificate in strategic development international programme and a certificate in computer applications. He is 41 years old.</p>

<p>9.</p>	<p>Leah Ng'ang'a</p> 	<p><b>Member</b></p> <p>Mrs. Leah is a member of the hospital management Committee since March 2022. She is a member of finance and general purpose. She has a diploma in community development and a diploma in theological education. She is 40 years old.</p>
<p>10.</p>	<p>Mr. Fannuel Lelon</p> 	<p><b>Head of Accounting Unit</b></p> <p>Mr. Fannuel is the Head of Accounting Unit of the Hospital and a co-opted member of the HMC. He has a Bachelor's of Business Management (BBM) degree from Moi University and Certified public accountant (CPA) part II. He his 37 Years old. He has 13 years' experience in the health sector has an Hospital Accountant.</p>

<p>11.</p>	<p>Mrs. Mary Kang'ethe</p> 	<p><b>Health Administrative Officer</b></p> <p>Mrs. Mary is the Health Administrative Officer of the Hospital and a co-opted member to the HMC. She has a Masters of Arts in Development Studies from Kampala International University, Post graduate diploma in Leadership from PAC university and Bachelors of arts with Education from Kampala International University. She is 34 years old with 8years experience has a health administrative Officer</p>
<p>12.</p>	<p>Mrs. Jane Wanyoike</p> 	<p><b>Nursing Officer In-Charge</b></p> <p>Mrs. Jane Wanyoike is the Nursing Officer In-charge of the Hospital and a co-opted member to the HMC. She is a registered nurse and midwife.</p>

#### 4. Key Management Team

Ref	Management	Details
1.	Dr Kennedy Owino	Medical Superintendent
2.	Dr. Emmanuel Wekesa	Head of Obs/Gynae, Clinical Services
3.	Mary Kang'ethe	Head Administration
4.	Jane Wanyoike	Head of Nursing Services
5.	Fannuel K. Lelon	Head of Accounting Unit
6.	Dr Bridget Kithinji	Paediatric Consultant
7.	Lucy Kinanu	Deputy Nursing Officer
8.	Miriam Njonge	Head of Supply Chain
9.	Dr. Jill Mutua	Head Of Pharmacy
10.	Selina Haron	Head Of Occupational Therapy
11.	Tom Nyakwara	Head Of Physiotherapy
12.	Irene Mwangi	Head Of Orthopaedic Trauma Medicine
13.	Felex Chweya	Head of Theatre
14.	Marcia Kimarua	Head of Newborn Unit
15.	David Mbugua	Head of Registered Clinical Officers
16.	Anne Gathogo	Head of General Ward
17.	Esther Gitau	Head of Maternity
18.	Christine Onyinkwa	Head of Special Clinics

*BAHATI SUB-COUNTY Hospital (NAKURU County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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19.	John Kimani	In-Charge Nutrition Department
20.	Antonette Vera	Head of Casualty and OPD
21.	Purity Maina	In-Charge Health Records
22.	Fredrick Bwire	Public Health Officer In-Charge
23.	Fiona Kiplagat	Radiology/Imaging
24.	Mercy Tuei	Laboratory In-Charge
25.	Francis Kiptoon	Biomedical Engineering
26.	Dr. Serah Ndaiga	Head of dental
27.	Max muthama	System administrator

## **5. Chairman's Statement**

It is my pleasure to present the hospitals 2022/2023 annual report and financial statements. The HMC is proud of the achievements realized by the hospital in this period. I am impressed by the staff attitude towards their commitment to delivering the best possible services to patients despite the staff shortages and challenges experienced throughout the year. As HMC we approved engagement of technical staff using FIF to boost the county staff numbers but due to retirement, death of staff just to mention but a few, the staff shortage is still an issue at BSCH.

BSCH as a public hospital of choice in Bahati sub-county and the surrounding areas offers quality health care to patients in line to its mission of provision of Curative, Preventive, Rehabilitative health services. Also, it prides itself in offering specialized clinical services in selective disciplines. BSCH is always set and ready for both dynamic healthcare and environmental changes especially in Nakuru North sub-county and by extension Nakuru county in general.

The future plans of the hospital are to;

Construction of Mother and Child through CSR by a strategic partner is still on course despite a few challenges. Once complete the 120 bed capacity-mother and child will provide a comprehensive mother and child healthcare.

Introduction of general and orthopaedic surgical procedures in what to become the former maternity and old theatre on migration of maternity services to the new mother and child unit.

Plan is also in high gear for the construction of all-inclusive service delivery-funeral home from support from county Government of Nakuru.

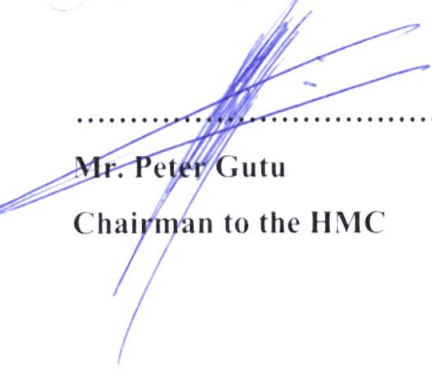
### **Achievements**

- Procurement and installation of a modern x-ray imaging machine through the Area MCA kitty and DOH.
- Acquisition of modern medical equipment, ICT server and networking.
- The committee pledge is to ensure that our systems and human resources are effectively deployed to support the programmed transformation of the hospital into a sustainable and excellent institution.

### **Acknowledgement**

On behalf of HMC, I would like to thank all the stakeholders especially the DOH and other Hospital Partners, without which our achievements would not have been realized. As we move into a new year I

I would like to express my gratitude to BSCH staff and HMC who take such pride in their work and who exemplify our hospital's mission and values each day.



.....

**Mr. Peter Gutu**  
**Chairman to the HMC**

## **6. Report of The Medical Superintendent**

I am pleased to present the Hospital's annual report and financial statements for the year 2022/2023. The report highlights the hospital and financial performance as well as our strategic direction.

### **Operational Performance**

The hospital provides a range of services to meet our patients' needs, we have competent personnel who ensure our clients receive safe, timely, equitable, efficient and patient-centred services. In 2022-2023 the hospital attended to 78,108 Patients of whom 4,332 were inpatients. This represented an increase of 2% outpatients and 1% inpatients attendance in comparison to the previous year.

### **Centre of excellence**

BSCH established in 1974 is the largest primary referral hospital in Nakuru north/Bahati sub-county and ranked the best in the sub-county. It provides relatively comprehensive patient centred care with various clinical specialities. BSCH is committed to give of its best to heal and bring hope as it has over the years.

BSCH Medical laboratory is accredited by KENAS through ISO 15189:2012 for meeting its standards of safety and quality in Health care in terms of Laboratory diagnostics.

### **Patient Safety**

BSCH has embarked on all aspects of patient safety which is an integral component of health service delivery and is focused to reduce hospital acquired infections and medical errors. The hospital has an active infection prevention & control committee which is used to address patient concerns.

### **Finance**

During the year the hospital made a total net collection of ksh 43,988,357.00 and incurred a medical loss of ksh 5,481,943.00 through Waivers and exemptions. This was a reduction compared to FY 2021-2022 which the net collection was Ksh 50,696,728 and Waivers and exemption was ksh 5,130,220.00.

On expenditure the hospital Top expenditures were as follows:

- Employee costs
- Medical Drugs
- Dressing and Non-pharmaceuticals
- Laboratory Supplies

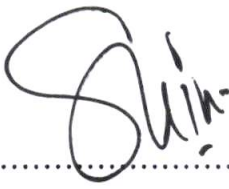
**Achievements**

During the year after renovation of our imaging Department in year 2021-2022 we were able to get a new X-ray machine through pool of resources from the are MCA and DOH. This has enhanced service delivery at our facility by not referring clients to seek the service elsewhere as it was before.

In addition, we acquired a new server which has greatly improved efficiency has client spent less time on service delivery points.

**Acknowledgment**

The Thousands of Patients served are a Living testament to the care, Love and support offered everyday by the outstanding commitment of our able staff. We are grateful to our stakeholders for the kindness compassion, support, dedication and contributions to BSCH.



.....  
Dr Owino Kennedy

**Secretary to the HMC**

**7. Statement of Performance Against Predetermined Objectives**

BSCH modus operandi is based on WHO six strategic pillars/ themes/ issues as below listed

1. Clinical services and products
2. Healthcare financing and sustainability
3. Human resource development
4. Infrastructural development
5. Leadership and governance
6. Health information

BSCH develops annual workplans based on the above six health system pillars. The assessment of the HMC committee and hospital/performance against its annual work plan (AWP) is done on a quarterly basis. The hospital achievement based on its performance target for the FY 2022/23 period for the above strategic pillars is as indicated in the below diagram.

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
I: Clinical service delivery and infrastructure development	To establish and enhance good clinical governance  To express workspace through infrastructural development.  To ensure quality diagnostic services.	<ul style="list-style-type: none"> <li>➤ Updated SOPs</li> <li>➤ No of stock out tracer drugs.</li> <li>➤ Availability of drug formulary.</li> <li>➤ Infrastructural committee and evaluation</li> <li>➤ completion reports.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Rational use of medications.</li> <li>➤ Provision of health products.</li> <li>➤ Monthly clinical audits and mortality meetings</li> <li>➤ Renovation of</li> </ul>	<ul style="list-style-type: none"> <li>➤ Reduction in morbidity and mortality.</li> <li>➤ Drug formulary available.</li> <li>➤ Renovation of diagnostic/ imaging department complete.</li> <li>➤ Installation and operationalization of x-ray machine</li> </ul>

		<ul style="list-style-type: none"> <li>➤ Registers.</li> <li>➤ EMR.</li> </ul>	<p>imaging department.</p> <ul style="list-style-type: none"> <li>➤ Installation of x-ray imaging equipment.</li> <li>➤ Adhere to quality standard.</li> </ul> <p>Introduce new specialised services</p>	<p>X-ray imaging services introduced. UECs done within 24 hours.</p>
2. Healthcare financing and sustainability	To increase revenue generation.	<ul style="list-style-type: none"> <li>➤ Revenue reports.</li> <li>➤ % in revenue</li> </ul>	<ul style="list-style-type: none"> <li>➤ Review user fees.</li> <li>➤ Increase customer base.</li> <li>➤ Diversify revenue streams.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Continuous user fee review.</li> <li>➤ Improved revenue generations.</li> <li>➤ More patient streams.</li> </ul>
3. Leadership and governance	Enhanced policies, dissemination and implementation.	<ul style="list-style-type: none"> <li>➤ Increase in hospital performance.</li> <li>➤ No of HMC meetings.</li> <li>➤ No. of the HMT meetings.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Monthly/quarterly HMT meetings.</li> <li>➤ Quarterly HMC.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Quarterly HMT/HMC meetings achieved.</li> </ul>

## **8. Corporate Governance Statement**

BSCH Hospital Management committee is responsible for the corporate governance of the hospital and is accountable to the department of Health Nakuru County.

The HMC is composed of Nine Members appointed by CECM of Health and are held accountable and responsible for the efficient and effective governance of the hospital. The members of the HMC come from the Hospital community and have arrange of skills and experience, they each bring an independent judgment and considerable knowledge to the HMC discussion. The HMC term is three years renewable once.

BSCH was gazetted via gazette notice 157 dated 30/7/2021 as a level 4 hospital (Primary level referral hospital.)

The current HMC members were gazetted under The Kenya Gazette Vol. CXXIV - No.2 Notice Number No. 51 of 7<sup>th</sup> January 2022. After their gazettelement, The HMC members were inducted on 14<sup>th</sup> February 2022.

### **a) Hospital Management Committee**

The HMC is composed of nine members; The chairperson, vice chairperson, Secretary (Medical Superintendent) and other six members.

Co-opted Members are:

1. Nursing Officer in -charge
2. Hospital Accountant
3. Hospital Administrator
4. Sitting Area MCA
5. Ward Administrator

Key Roles and Responsibilities of HMC are;

- Oversight of the facility
- Link between the facility and the community
- Resource mobilization

### **b) HMC Meetings**

Both HMC and sub-committee meetings are held quarterly or additionally when necessary to consider matters of overall control of the hospital.

Adequate notice and agenda are circulated within the stipulated timelines. The Main HMC held 7 meetings.

### **c) HMC Renumeration**

The MC members provides services to the hospital and are entitled to an allowance whenever their services are required, that is, when they attend meetings. Their allowance is paid as per the below circular from the DOH

**d) Sub - Committees of Hospital Management Committee**

➤ **Finance and General-purpose sub-committee**

Oversight the collection of revenue, budgeting with assistance of management.

➤ **Quality of healthcare services**

Oversight the hospital on quality of healthcare.

➤ **Audit sub-committee**

Oversight the implementation of the budget.

➤ **Infrastructure Sub-committee**

Oversee all infrastructural development within the hospital and related activities.

**9. Management Discussion and Analysis**

**a) Clinical/Operation Performance**

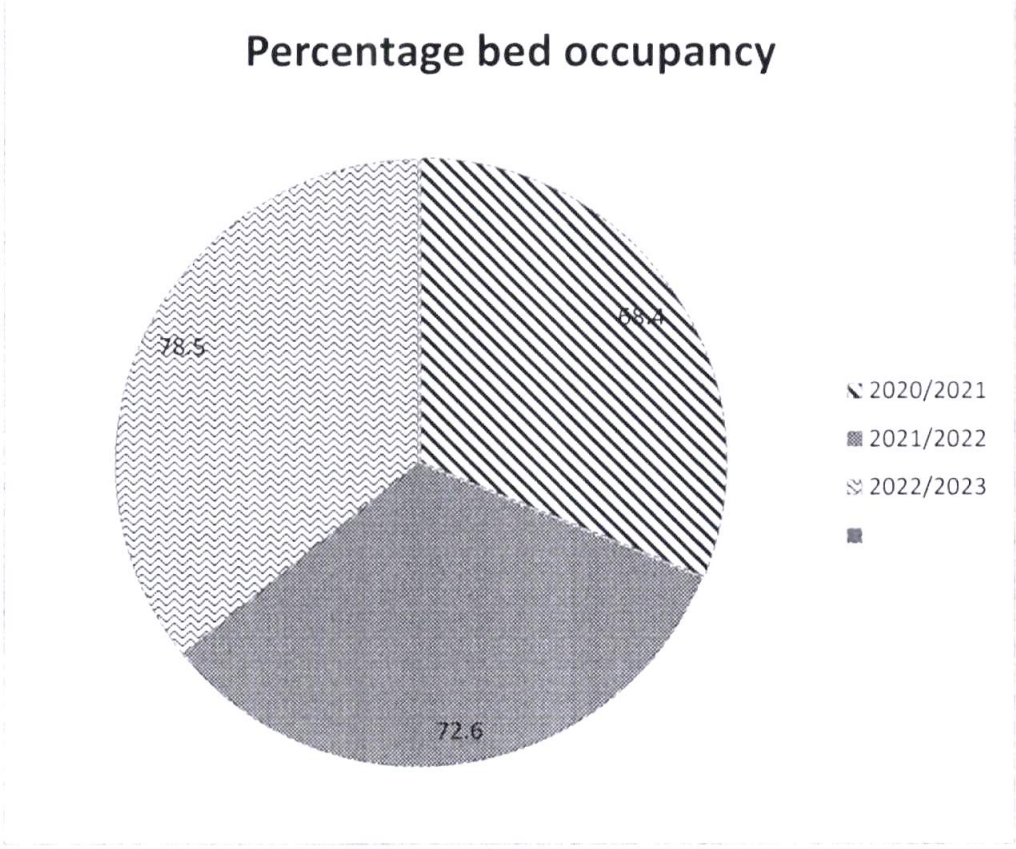
**Summary of annual operation performance between financial years 2020 to 2023**

		<b>FY 2020-2021</b>	<b>FY 2021-2022</b>	<b>FY 2022-2023</b>
<b>Bed Capacity</b>		46	50	50
<b>Patient Attendance Inpatient and Out Patient</b>	OPD Visits	52,360	69,826	68,048
	Admissions	3604	4291	4332
<b>Specialized Clinics</b>		4160	5401	5728
<b>Average Length of Stay (Inpatient Days)</b>		2.3 Days	2.5 Days	2.6 Days
<b>Bed Occupancy Rate</b>		68.4%	72.6%	78.5%
<b>Mortality (Absolute Figures)</b>		89	100	91
<b>Surgical Theatre Utilization</b>	<b>MINOR</b>	6	26	13
	<b>MAJOR</b>	206	418	566
<b>TOTAL</b>		<b>212</b>	<b>444</b>	<b>670</b>
<b>Maternity (Total Deliveries)</b>		2639	2879	2578

There has been an increase in the number of outpatient visits and inpatient admissions over time, mainly occasioned by increased demand. The increase in the demand for medical services at Bahati Sub-County Hospital is partly attributed to the expansion of range of services, including introduction of specialist services.

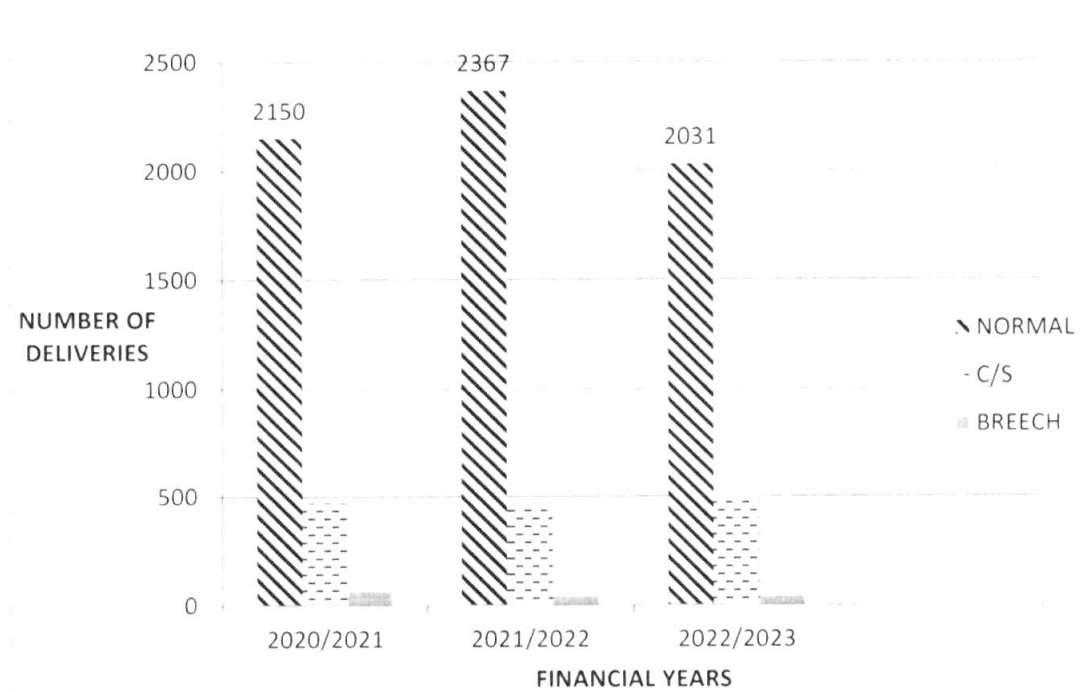
○ **Tables and Charts**

○ **1. Bed capacity**



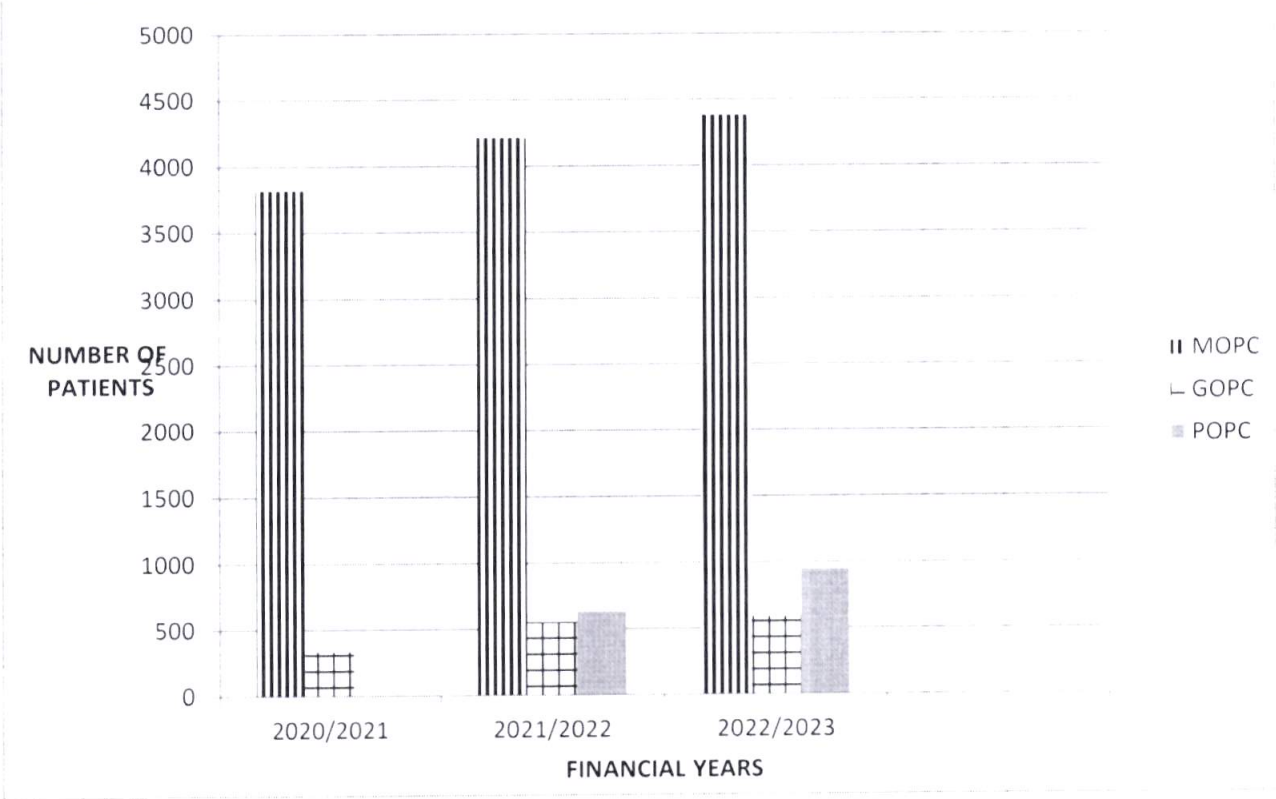
Although the bed capacity at the Bahati Sub- County hospital has largely remained the same, the percentage bed occupancy has been increasing over the years mainly due to increased utilization of services at the facility, occasioned by increased demand. Maternity services account for the larger proportion bed occupancy at the facility.

## 2. Deliveries



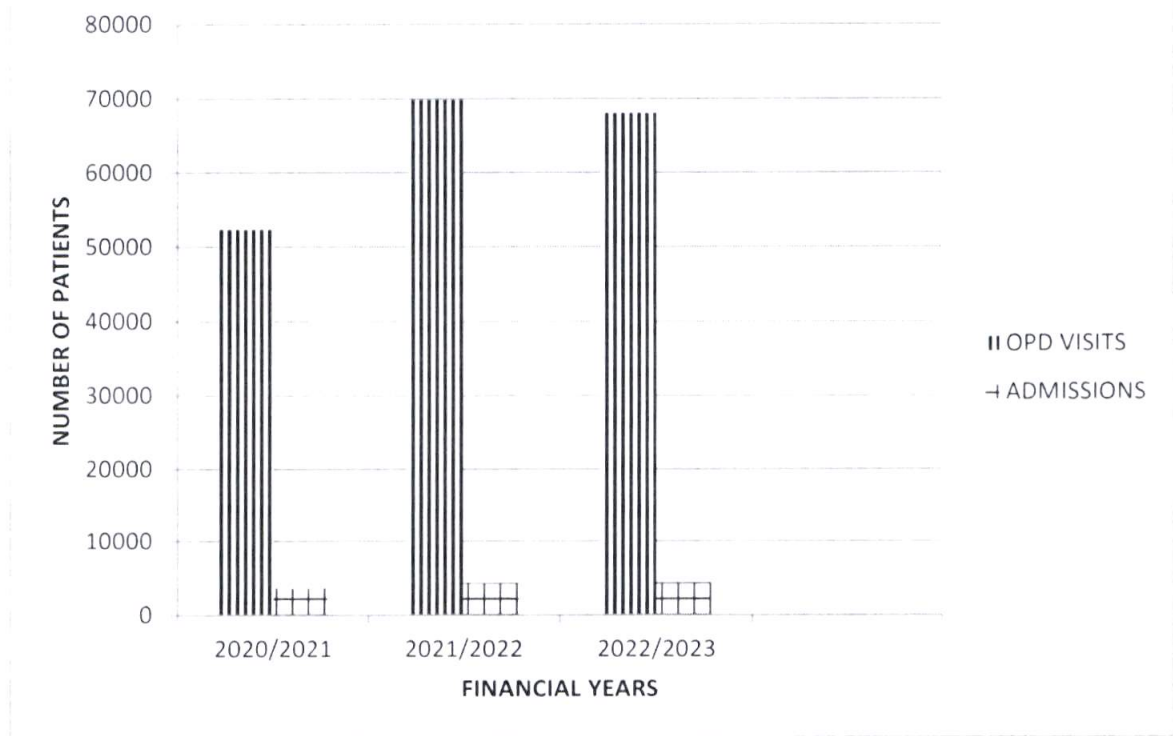
- The caesarean section rates have remained within acceptable limits for the facility, over the three financial years. As expected, the number of breech deliveries has remained low.

### 3.Specialized clinics



There has been a steady increase in the number of patients seen at specialized clinics due to increased demand for these services. There is a high burden of non-communicable diseases such as diabetes and hypertension within the community at Bahati. These patients are served at the medical outpatient clinic (MOPC), therefore accounting for the high number of patients attended at this clinic.

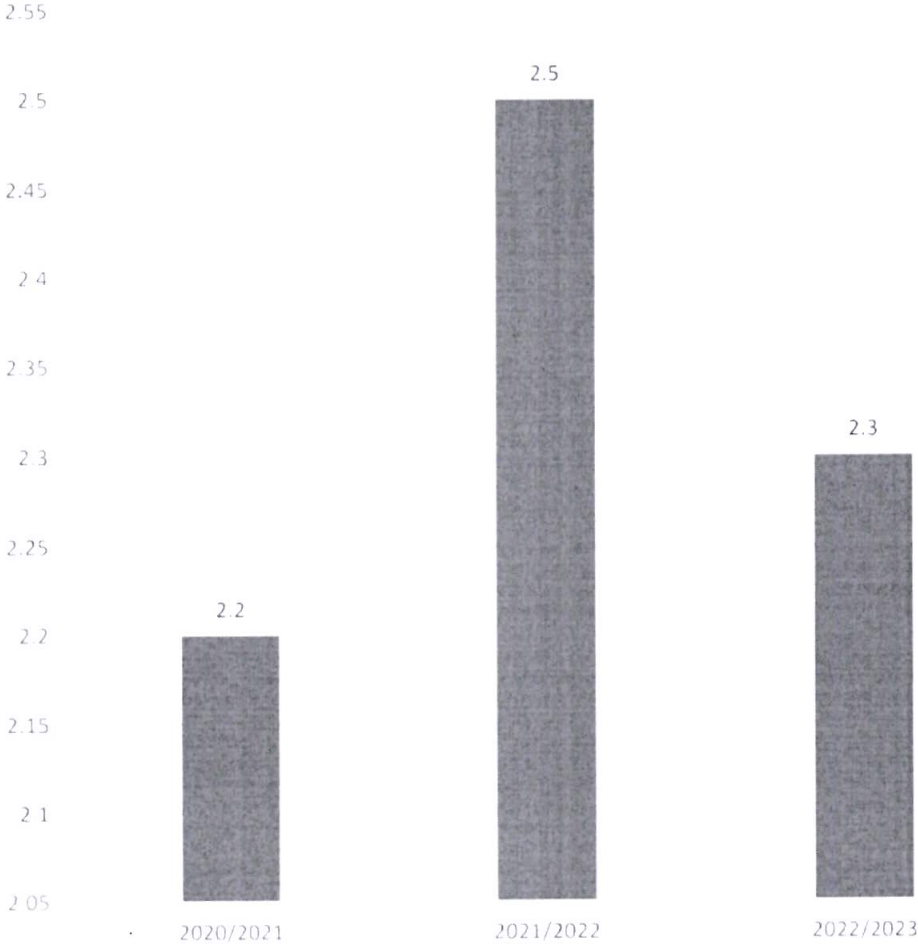
## 4. Patient attendance inpatient and out patient



The hospital has experienced a steady increase in the number of both outpatient and inpatient cases across the three financial years.

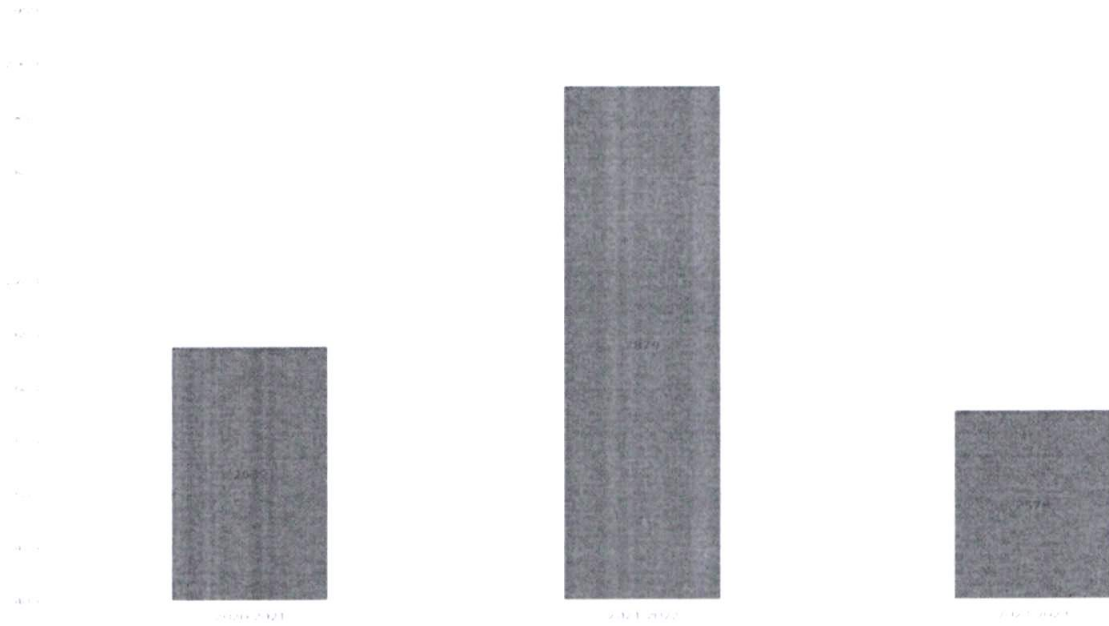
**5. Average Length of Stay**

**AVERAGE LENGTH OF STAY 2020-2021, 2021-2022  
AND 2022-2023**

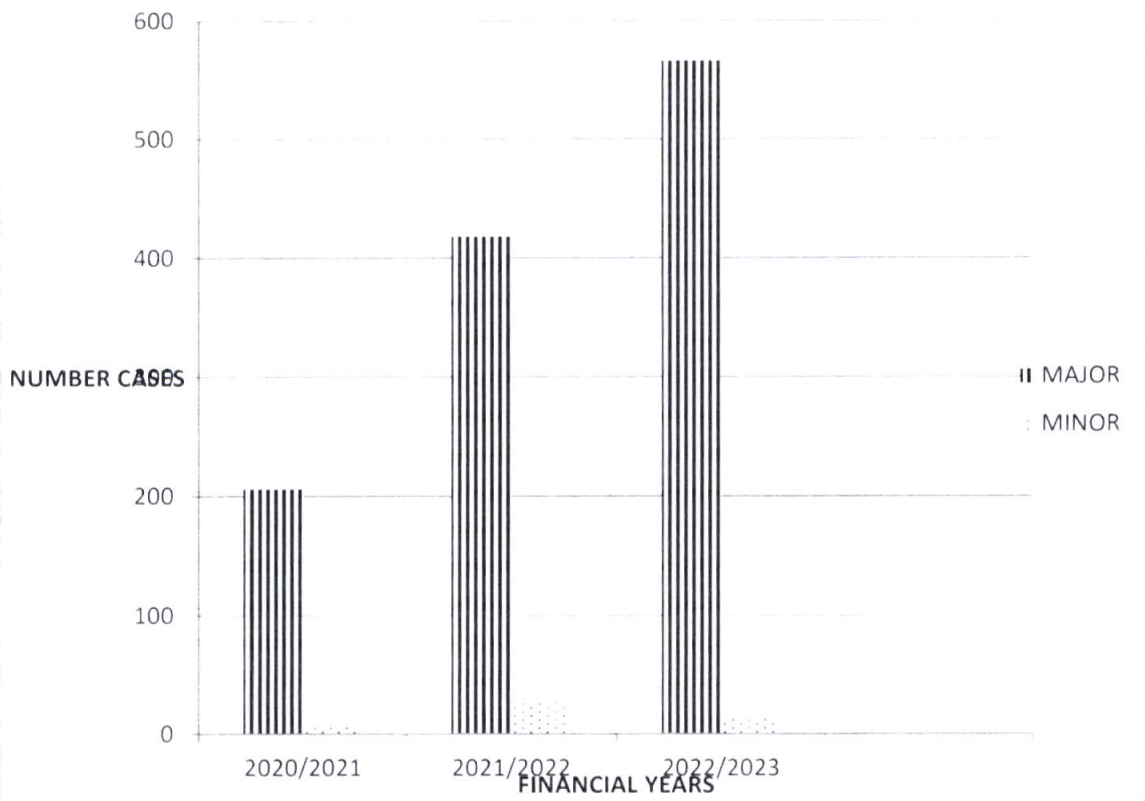


Bahati Sub- County Hospital offers compressive obstetric care. The target number of deliveries for the facility is 1300, based on the catchment population. However, the hospital surpassed this target due to increased demand for maternity services within the community. The hospital also acts as a referral facility for the Nakuru North Sub- County. The referral cases from the lower facilities also contributed to the high number of deliveries.

MATERNITY DELIVERIES 2020/2021, 2021/2022 AND 2022/2023

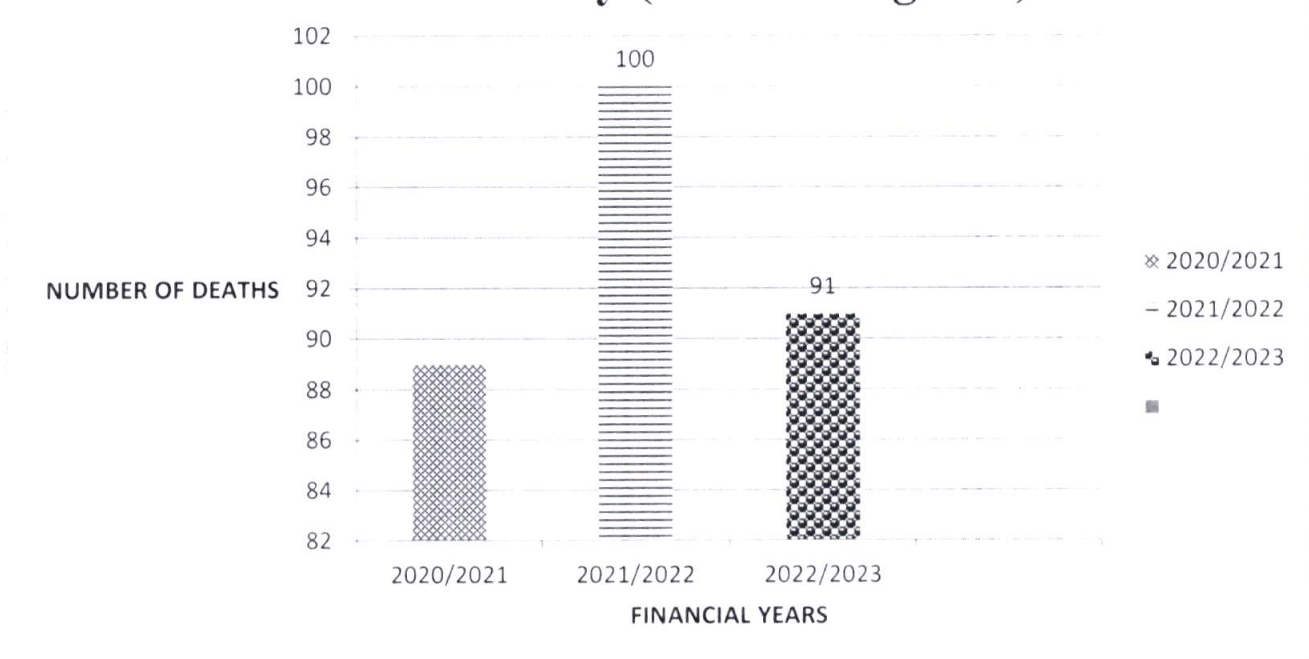


## 6. Theatre utilization



- The number of surgeries increased across the three financial years. This was partly caused by deployment of specialists to the facility, such as obstetrician/gynaecologist who perform specialized gynaecological surgeries.

### 7. Mortality (absolute figures)



The highest number of mortality cases was recorded in the 2021/2022 financial year. This is the year that recorded the highest number of both outpatient and inpatients clients. The mortality cases as a proportion of the number of patients attended at the facility therefore remained low across the three financial years.

### Financial performance

BSCH revenue sources Includes:

User fees Comprising of

- Cash collection
- NHIF collections
- Other Insurance MINET Insurance

During the year the hospital made a total net collection of ksh 43,988,357.00 and incurred a medical loss of ksh 5,481,943.00 through Waivers and exemptions. This was a reduction compared to FY 2021-2022 which the net collection was Ksh 50,696,728 and Waivers and exemption was ksh 5,130,220.00. The deficit in collection despite increased work load was as a result of delayed NHIF reimbursements especially Linda mama which is paid by National Treasury through NHIF.

On expenditure the hospital incurred a total expenditure of ksh 45,857,015.50 of which the Top expenditures were as follows:

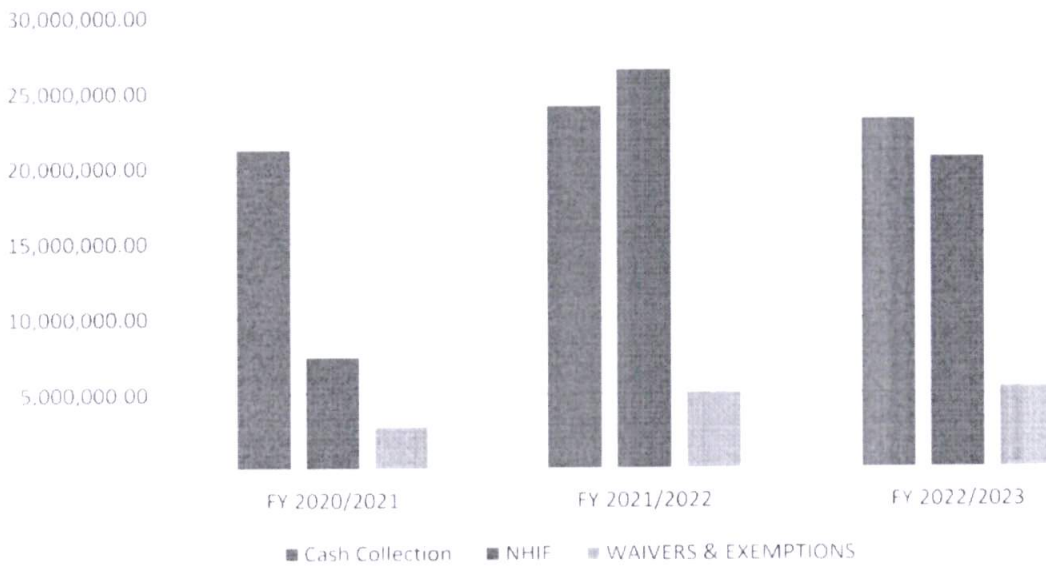
- Employee costs – ksh 10,315,275.30
- Medical Drugs - ksh 7,064,146.00
- Dressing and Non-pharmaceuticals – ksh 5,618,625.00
- Laboratory Supplies – Ksh 3,396,285.00

### Three-year Consolidated Revenue

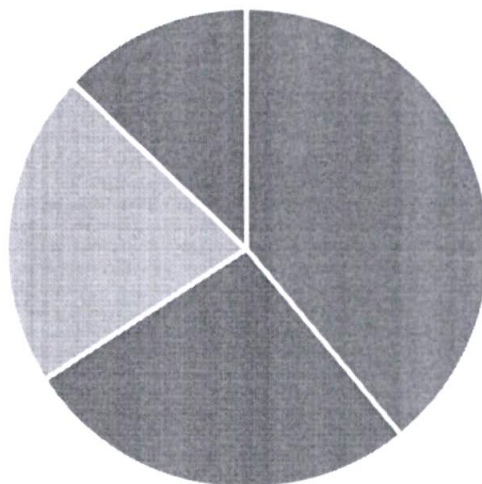


### Three Year Comparative Annual Collections

#### Annual Collection Reports



Expenditure



■ Employee Costs   ■ Medical Drugs   ■ Dressing and Non-pharmaceuticals   ■ Laboratory supplies

.....  
Dr Owino Kennedy

Secretary to the HMC

## **Environmental And Sustainability Reporting**

BSCH 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.

### ***Sustainability strategy and profile***

BSCH and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and resource mobilization and financing capabilities with an objective of ensuring that BSCH going concern is secured. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options which include:

- Expanding the scope of services
- Public private partnership (PPP)
- Enhancing client satisfaction through quality service care
- Lobbying for more engagement with other insurance firms

### ***i) Environmental performance***

BSCH is using the National Health care waste management policy guideline which is guiding us in the management of waste that we generate in the facility and we have a copy.

#### **Successes**

- We have colour-coded bins(receptacles) at all generation points in the departments.
- There are segregation posters alongside the receptacles to guide in the segregation of waste.
- We have an incinerator that helps us in waste management and we only dispose off non-contaminated waste to the ash pits.
- The general Cleanliness of the facility is well maintained both indoors and grounds
- Planting of tree around the hospital compound.

#### **Challenges**

- Lack of sufficient funds to acquire a modern waste disposal equipment.
- Shortage of staffs.
- More waste generation which overworks the waste disposal equipment.

**ii) Employee welfare**

The hiring process is the mandate of the county public service Board reference made from the public service commission Human Resource Manual Procedures May 2016, mentioned in section B which provides the rules governing recruitment and appointment of new officers.

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

Training programs are based on identified needs from the training needs assessments and are emphasized for performance improvement addressing both individual and organizational goals.

Performance Management System is a process conducted by the employer to identify areas of weakness and support the individuals in order to get better results. Its an annual exercise intended to provide employees with clear understanding of job expectations, regular feedback on performance, advice and steps for improving performance, rewards for good performance and actions for poor performance. It helps to measure performance and ultimately the achievement of intended results for the organization.

The Human Resource Manual procedures also provides for guidelines and standards for the prevention and protection of officer against accidents and occupational hazards arising at the work place. It provides for guidelines, procedures and modalities for the administration and payment of compensation for work related injuries and accidents contracted while and in the course of employment.

**iii) Market place practices-**

**a) Responsible competition practice.**

This is effectively done through use of Hospital Hot line which is displayed on all strategic places in the Hospital which clients can access and call when need be or for inquiries.

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

Ensures best involvement of suppliers in the tendering process and feedback given to suppliers in good time.

**c) Responsible marketing and advertisement**

*Outline efforts to maintain ethical marketing practices.*

- iv) **Corporate Social Responsibility / Community Engagements**
- This is effectively done by the HMC through community engagement.

## **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 hospital's affairs.

### **Principal activities**

The principal activities of the entity are to provide quality and affordable preventive, promotive, rehabilitative and curative health services in Bahati Sub- County and Its environs.

### **Results**

The results of the entity for the year ended June 30 are set out on page 1 to 7

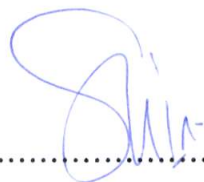
### **Board Of Management**

The members of the Board who served during the year are shown on page vii. All the Gazetted HMC members are still serving.

### **Auditors**

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

By Order of the Board



.....  
**Dr Owino Kennedy**

**Secretary to the HMC**

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

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

The Board of Management is responsible for the preparation and presentation of the BSCH financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *entity*, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *entity*; (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 BSCH financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the BSCH financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2023, and of the *entity's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of management to indicate that the BSCH 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 27/09/2023 and signed on its behalf by:

.....  
**Name: Mr. Peter Gutu**  
**Chairperson**  
**Board of Management**

.....  
**Name: Dr Owino Kennedy**  
**Accounting Officer**

# REPUBLIC OF KENYA



*Enhancing Accountability*

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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON BAHATI SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF NAKURU

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Bahati Sub-County Level 4 Hospital - County Government of Nakuru set out on pages 1 to 39, which comprise of the

statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bahati Level 4 Hospital - County Government of Nakuru 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 Health Act, 2017, County Governments Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Variances in Receivables from Exchange Transactions**

The statement of financial position reflects a balance of Kshs.12,525,664 in respect to receivables from exchange transactions as disclosed in Note 18 to the financial statements. The amount relates to dues from the National Health Insurance Fund (NHIF) whose records indicate a balance of Kshs.12,622,383 resulting to an unexplained variance of Kshs.96,719. In addition, the balance has been outstanding for between one (1) and five (5) years while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 30 days of submission.

In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs.12,525,664 could not be confirmed.

#### **2. Undisclosed Property, Plant and Equipment Balance**

The statement of financial position reflects a balance of Kshs.6,186,035 as disclosed in Note 20 to the financial statements. However, support schedules and asset register indicating the asset description, year of acquisition, location, cost or valuation were not provided for audit.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.6,186,035 could not be confirmed.

#### **3. Undisclosed Inventory Balance**

The statement of financial position reflects a Nil inventory balance. However, review of records and physical inspection revealed medical commodities of undetermined value which were omitted from the financial statements. Further, there was no evidence of

conducting stock take to determine the quantities, value and status of stocks at closure of the financial year.

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

#### **4. Variances in Revenue from Rendering Services**

The statement of financial performance reflects an amount of Kshs.35,057,567 in respect to rendering of services - medical service income as disclosed in Note 7 to the financial statements. Included in the amount is Kshs.11,837,750 being claims reimbursed from the National Health Insurance Fund (NHIF). However, records revealed an amount of Kshs.12,188,270 resulting to an unexplained variance of Kshs.350,520.

In the circumstances, the accuracy and completeness of revenue from rendering services amounting to Kshs.45,613,141 could not be confirmed.

#### **5. Variances in Transfer from Other Government Entities**

The statement of financial performance reflects the transfer from other Government entities amounting to Kshs.8,879,530 relating to capitation fees paid by the National Health Insurance Fund (NHIF) as disclosed in Note 6 to the financial statements. However, NHIF records revealed an amount of Kshs.2,318,750 resulting to an unexplained variance of Kshs.6,560,780.

In the circumstances, the accuracy and completeness of revenue from rendering services amounting to Kshs.8,879,530 could not be confirmed.

#### **6. Non-Disclosure of Donated Drugs**

The statement of financial performance reflects a Nil amount on grants from donors and development partners as reported in the financial statements. However, distribution data from Kenya Medical Supplies Authority (KEMSA) revealed that the Hospital received donations and program commodities drugs amounting to Kshs.16,395,436 but were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of grants from donors and development partners could not be confirmed.

#### **8. Inaccurate Statement of Financial Position**

The statement of financial position reflects a balance of Kshs.18,395,718 as capital fund while the statement of changes in net assets disclosed a Nil balance resulting to an unexplained variance of the same amount.

In the circumstances, the accuracy and completeness of the statement of financial position as at 30 June, 2023 could not be confirmed.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Failure to Transfer Revenue to the County Revenue Fund Account**

The statement of financial performance reflects an amount of Kshs.35,057,567 in respect to rendering services - medical services income as disclosed in Note 7 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of the Public Finance Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

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

#### **2. Lack of Quarterly Revenue Reports**

The statement of financial performance reflects Kshs.35,057,567 in relation to the rendering of services - medical income as disclosed in Note 7 to the financial statements. However, the Hospital did not provide evidence to show that the quarterly reports were prepared and submitted to the County Treasury with a copy to the Auditor-General. This was contrary to Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of

revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

### 3. Irregular Engagement of Casual Workers

The statement of financial performance reflects an amount of Kshs.10,315,275 in respect to employee costs as disclosed in Note 11 to the financial statements. The amount includes Kshs.3,611,424 paid as wages to casual workers engaged by the Hospital for more than three months. This was contrary to Section 37 of the Employment Act, 2007 which states that a casual employee should be converted to a term contract where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month.

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

### 4. Non-Compliance with Kenya Quality Model for Health Policy Guidelines

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits of eighty (80) or 79% of the authorized staff requirements as detailed below:

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	3	13	81
General Surgeons	2	1	1	50
Gynaecologists	2	2	0	0
Paediatrics	2	1	1	50
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	11	64	85
<b>Total</b>	<b>101</b>	<b>21</b>	<b>80</b>	<b>79</b>

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	50	100	67
New Born Unit Incubators	5	1	4	80

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
New Born Unit Cots	5	1	4	80
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at Least 5 Dialysis Machines	5	0	5	100

Further, the Hospital did not have surgical, pediatric, gynecological, radiology, renal dialysis, laboratory and mortuary services required to be offered in a level 4 hospital.

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 understaffing and inadequate hospital equipment may negatively have impacted on service delivery to the public.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis of Conclusion

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

## **Responsibilities of Management and the Board of Management**

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

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

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

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

The Board of Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how the 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional 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 continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

8 July, 2024

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

Description	Note	FY 2022/2023	FY 2021/22
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other Government entities	6	8,87,9530.00	4,968,500.00
		<b>8,879,530.00</b>	<b>4,968,500.00</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	7	35,057,567.00	45,613,141.00
Revenue from rent of facilities	8	5,000.00	24,000.00
Miscellaneous Income	9	46,260.00	91,087.00
<b>Revenue from exchange transactions</b>		<b>35,108,827.00</b>	<b>45,728,228.00</b>
<b>Total revenue</b>		<b>43,988,357.00</b>	<b>50,696,728.00</b>
<b>Expenses</b>			
Medical Clinical costs	10	22,536,716.00	20,745,557.59
Employee costs	11	10,315,275.00	8,491,708.21
Board of Management Expenses	12	1,300,000.00	1,772,000.00
Repairs and maintenance	14	3,153,073.50	3,944,089.50
General expenses	15	6,856,025.00	7,608,897.30
<b>Total expenses</b>		<b>44,161,090.00</b>	<b>42,562,252.70</b>
<b>Other gains/(losses)</b>			
<b>Total other gains/(losses)</b>		<b>0.00</b>	<b>0.00</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>(172,733.00)</b>	<b>8,134,475.30</b>

*(The notes set out on pages 8 to 39 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 27/09/2023 and signed on its behalf by:

.....  
**Mr. Peter Gutu**  
 Chairman  
 Board of Management

.....  
 Head of Finance  
 ICPAK No: 7241

.....  
**Dr Owino Kennedy**  
 Medical Superintendent

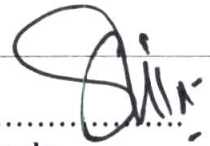
*BAHATI SUB-COUNTY Hospital (NAKURU County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

**15. Statement of Financial Position As At 30<sup>th</sup> June 2023**

Description	Note	FY 2022/23	FY 2021/22
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	9,057,067.75	10,947,555.75
Receivables from exchange transactions	18	12,525,664.00	7,164,180.00
<b>Total Current Assets</b>		<b>21,582,731.75</b>	<b>18,111,735.75</b>
<b>Non-current assets</b>			
Property, plant, and equipment	20	6,186,035.00	4,468,280.00
<b>Total Non-current Assets</b>		<b>6,186,035.00</b>	<b>4,468,280.00</b>
<b>Total assets</b>		<b>27,768,766.75</b>	<b>22,580,015.75</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	9,545,781.00	4,801,909.00
<b>Total Current Liabilities</b>		<b>9,545,781.00</b>	<b>4,801,909.00</b>
<b>Non-current liabilities</b>			
<b>Total Non-current liabilities</b>		<b>0.00</b>	<b>0.00</b>
<b>Total Liabilities</b>		<b>9,545,781.00</b>	<b>4,801,909.00</b>
<b>Net assets</b>			
Revaluation reserve		0.00	0.00
Accumulated surplus Deficit		(172,733.00)	8,134,475.30
Capital Fund		18,395,718.75	9,643,731.45
		<b>18,222,985.75</b>	<b>17,778,206.75</b>
<b>Total Net Assets and Liabilities</b>		<b>27,768,766.75</b>	<b>22,580,015.75</b>

*(The notes set out on pages 8 to 39 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 27/09/2023 and signed on its behalf by:



.....  
Mr. Peter Gutu  
Chairman  
Board of Management

.....  
Head of Finance  
ICPAK No: 7241

.....  
Dr Owino Kennedy  
Medical Superintendent

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2022	0.00	8,134,475.30	0.00	8,134,475.30
Revaluation gain	0.00	-	-	0.00
Surplus/(deficit) for the year	-	0.00	-	0.00
Capital/Development grants	-	-	0.00	0.00
As at June 30, 2022	0.00	8,134,475.30	0.00	8,134,475.30
At July 1, 2022	0.00	8,134,475.30	0.00	0.00
Revaluation gain	0.00	-	-	0.00
Surplus/(deficit) for the year	-	(172,733.00)	-	(172,733.00)
Capital/Development grants	-	-	0.00	0.00
At June 30, 2023	0.00	7,961,742.30	0.00	7,961,742.30

Note:

The statement cannot give a comprehensive state of changes in Net assets because Valuation of Assets is yet to be done.

*(The notes set out on pages 8 to 39 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 27/09/2023 and signed on its behalf by:

.....  
Mr. Peter Gutu  
Chairman  
Board of Management

.....  
Head of Finance  
ICPAK No: 7241

.....  
Dr Owino Kennedy  
Medical Superintendent

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

Description	Note	FY 2022/23	FY 2021/22
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other Government entities	6	8,879,530.00	4,968,500.00
Rendering of services- Medical Service Income	7	35,057,567.00	45,613,141.00
Revenue from rent of facilities	8	5,000.00	24,000.00
Miscellaneous receipts( <i>specify</i> )	9	46,260.00	91,087.00
<b>Total Receipts</b>		<b>43,988,357.00</b>	<b>50,696,728.00</b>
<b>Payments</b>			
Medical/Clinical costs	10	22,536,716.00	20,745,557.59
Employee costs	11	10,315,275.50	8,491,708.21
Board of Management Expenses	12	1,300,000.00	1,772,000.00
Repairs and maintenance	14	3,153,073.50	3,944,089.50
General expenses	15	6,856,025.00	7,608,897.40
<b>Total Payments</b>		<b>44,161,090.00</b>	<b>42,562,252.70</b>
<b>Net cash flows from operating activities</b>		<b>(172,733.00)</b>	<b>8,134,475.30</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment & intangible assets		(1,717,755.00)	(4,468,280.00)
<b>Net cash flows used in investing activities</b>		<b>(1,717,755.00)</b>	<b>(4,468,280.00)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		<b>(0.00)</b>	<b>(0.00)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>0.00</b>	<b>(0.00)</b>
Cash and cash equivalents as at 1 July	17	10,947,555.75	7,281,360.45
<b>Cash and cash equivalents as at 30 June</b>	17	<b>9,057,067.75</b>	<b>10,947,555.75</b>

(The notes set out on pages 8 to 39 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 27/09/2023 and signed on its behalf by:

.....  
**Mr. Peter Gutu**  
 Chairman  
 Board of Management

.....  
**Head of Finance**  
 ICPAK No: 7241

.....  
**Dr Owino Kennedy**  
 Medical Superintendent

*BAHATI SUB-COUNTY Hospital (NAKURU County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

**18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2023**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Transfers from other Government entities	8,879,530.00	0.00	8,879,530.00	8,879,530.00	0.00	100%
Public contributions and donations	-	0.00	-	-	0.00	0
Rendering of services- Medical Service Income	35,057,567.00	0.00	35,057,567.00	35,057,567.00	0.00	100%
Revenue from rent of facilities	5,000.00	0.00	5,000.00	5,000.00	0.00	100%
Miscellaneous receipts (Water and Containers)	46,260.00	0.00	46,260.00	46,260.00	0.00	100%
<b>Total income</b>	<b>43,988,357.00</b>	<b>0.00</b>	<b>43,988,357.00</b>	<b>43,988,357.00</b>	<b>0.00</b>	<b>100%</b>
<b>Expenses</b>						
Medical/Clinical costs	22,541,551.70	0.00	22,541,551.70	22,536,716.00	4,835.70	99.98%
Employee costs	10,380,804.00	0.00	10,380,804.00	10,315,275.00	65,529.00	99.37%
Remuneration of directors	1,323,000.00	0.00	1,323,000.00	1,300,000.00	23,000.00	98.26%
Repairs and maintenance	3,154,128.50	0.00	3,154,128.50	3,153,073.50	1,055.00	99.97%
General expenses	7,157,936.00	0.00	7,157,936.00	7,081,695.50	76,240.50	98.93%
<b>Capital expenditure</b>	<b>1,475,000.00</b>	<b>0.00</b>	<b>1,475,000.00</b>	<b>1,470,255.00</b>	<b>4,745.00</b>	<b>99.50%</b>

## **19. Notes to the Financial Statements**

### **1. General Information**

BSCH is established by and derives its authority and accountability from PFM Act 2012. The entity is wholly owned by the Nakuru County Government and is domiciled in Nakuru County in Kenya. The entity's principal activity is to provide curative, preventive, promotive and rehabilitative health services.

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

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

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

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

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

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

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

Standard	Effective date and impact
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires: -</p> <ul style="list-style-type: none"> <li data-bbox="451 1128 1439 1267">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:</li> <li data-bbox="451 1285 1439 1473">ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</li> </ul>

*iii) Early adoption of standards*

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

## **Summary of Significant Accounting Policies**

### **Revenue recognition**

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

##### **Transfers from other Government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

#### **ii) Revenue from exchange transactions**

##### **Rendering of services**

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

##### **Sale of goods**

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

##### **Interest income**

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

##### **Rental income**

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

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

**b. Budget information**

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

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

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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

*Notes to the Financial Statements (Continued)*

**Investment property**

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

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

**e. Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

*Notes to the Financial Statements (Continued)*

**f. Leases**

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

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

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

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

**g. Intangible assets**

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

*Notes to the Financial Statements (Continued)*

**Research and development costs**

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

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

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

**i. Financial instruments**

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

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

*Notes to the Financial Statements (Continued)*

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

**Amortized cost**

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

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

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

**Financial liabilities**

**Classification**

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

*Notes to the Financial Statements (Continued)*

**j. Inventories**

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

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

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

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

**k. Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

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

**Social Benefits**

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

**m. Contingent liabilities**

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

**n. Contingent assets**

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

**o. Nature and purpose of reserves**

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

**p. Changes in accounting policies and estimates**

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

*Notes to the Financial Statements (Continued)*

**q. Employee benefits**

**Retirement benefit plans**

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

**r. Foreign currency transactions**

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

**s. Borrowing costs**

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

**t. Related parties**

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

*Notes to the Financial Statements (Continued)*

**u. Service concession arrangements**

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

**v. Cash and cash equivalents**

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

**w. Comparative figures**

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

**x. Subsequent events**

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

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

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

### **Estimates and assumptions.**

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

### **Useful lives and residual values**

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

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

### **Provisions**

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

Notes to Financial Statements Continued

Transfers From Other Government Entities

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Transfer from National Hospital Insurance Fund	8,879,530.00	4,968,500.00
<b>Total Transfers</b>	<b>8,879,530.00</b>	<b>4,968,500.00</b>

7. Rendering of Services-Medical Service Income

Description	FY 2022/23	FY 2021/2022
	Kshs	Kshs
Pharmaceuticals	5,101,731.00	6,003,651.00
Non-Pharmaceuticals & In-patient Services	1,499,773.00	1,810,475.00
Laboratory	4,832,090.00	4,602,417.00
Radiology	2,962,350.00	1,901,000.00
Orthopaedic and Trauma Technology	942,500.00	1,192,158.00
Theatre	278,420.00	175,550.00
Medical Examination	494,399.00	594,275.00
Physiotherapy	257,800.00	247,600.00
Occupational Therapy	41,850.00	34,750.00
Nutrition service	21,150.00	17,440.00
Medical Records	4,382,022.00	5,053,528.00
Dental services	752,800.00	773,692.00
Reproductive health (MCH)	206,990.00	150,700.00
Out Patient Services	1,103,841.00	1,301,935.00
Special Clinics (MOPC & GOPC)	256,850.00	139,200.00
Maternity	15,200.00	4,520.00
NHIF Re-imbursements	11,837,750.00	21,591,250.00
MINET Insurance Re-imbursements	29,051.00	-
Attachment fees	41,000.00	19,000.00
<b>Total revenue from the rendering of services</b>	<b>35,057,567.00</b>	<b>45,613,141.00</b>

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**8. Revenue From Rent of Facilities**

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Residential property	5,000.00	24,000.00
<b>Total Revenue from rent of facilities</b>	<b>5,000.00</b>	<b>24,000.00</b>

BSCH Management gave out a space for placement of a portable Kiosk/shop of which the owner pays a space rental amount of Ksh 1,000.00 PM.

**9. Miscellaneous Income**

Description	FY 2022/23	FY 2021/22
	KShs	KShs
Sale of goods (water, publications, containers etc)	46,260.00	91,087.00
<b>Total Miscellaneous income</b>	<b>46,260.00</b>	<b>91,087.00</b>

**10. Medical/ Clinical Costs**

Description	FY 2022/23	FY2021/22
	Kshs	Kshs
Dental costs/ materials	185,326.00	298,111.00
Laboratory chemicals and reagents	3,396,285.00	3,497,247.00
Food and Ration	2,308,647	2,315,455.99
Uniform, clothing, and linen	265,970.00	206,030.00
Dressing and Non-Pharmaceuticals	5,618,625.00	4,646,639.00
Pharmaceutical supplies	7,064,146.00	6,135,681.00
Sanitary and cleansing Materials	2,221,537.00	2,194,550.00
Purchase of Medical gases	537,978.00	461,684.60
X-Ray/Radiology supplies	384,791.00	129,279.00
Other medical related costs (Consumable Stores)	553,411.00	860,880.00
<b>Total medical/ clinical costs</b>	<b>22,536,716.00</b>	<b>20,745,557.59</b>

**11. Employee Costs**

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Salaries, wages, and allowances	10,315,275.50	8,491,708.21
<b>Employee costs</b>	<b>10,315,275.50</b>	<b>8,491,708.21</b>

**12. Board of Management Expenses**

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Sitting allowance	1,300,000.00	1,730,000.00
Induction and training	-	42,000.00
<b>Total</b>	<b>1,300,000.00</b>	<b>1,772,000.00</b>

**13. Depreciation and Amortization Expense**

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Property, plant and equipment	0.00	0.00
Intangible assets	0.00	0.00
Investment property carried at cost	0.00	0.00
<b>Total depreciation and amortization</b>	<b>0.00</b>	<b>0.00</b>

Depreciation of PPE was not computed because Valuation of assets is yet to be done.

**14. Repairs And Maintenance**

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Property- Buildings	1,479,543.50	2,135,667.50
Medical equipment	769,850.00	769,800.00
Plant, Machinery and Equipment	346,500.00	355,372.00
Furniture and fittings	149,200.00	154,630.00
Computers and accessories	223,000.00	356,870.00
Motor vehicle expenses	184,980.00	171,750.00
<b>Total repairs and maintenance</b>	<b>3,153,073.50</b>	<b>3,944,089.50</b>

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Notes to the Financial Statements (Continued)

15. General Expenses

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Catering expenses	123,732.00	366,249.00
Bank charges	126,586.50	254,044.00
Contracted services	719,904.00	773,960.00
Electricity expenses	1,276,345.00	1,385,851.00
Fuel and Lubricants	1,117,193.50	656,188.99
Travel and accommodation allowance	82,500.00	174,600.00
Courier and postal services	-	9,450.00
Printing and stationery	1,773,277.00	2,061,419.00
Supplies and Accessories for Computer	262,390.00	237,900.00
Telephone and mobile phone services	247,180.00	283,399.00
Internet expenses	584,640.00	586,670.00
Staff training and development	32,500.00	15,500.00
Fire Fighting Servicing	7,500.00	17,400.00
Other Fuel	190,320.00	140,660.00
Utensils	58,670.00	93,217.00
Subscriptions to professional bodies	253,287.00	552,389.41
<b>Total General Expenses</b>	<b>6,856,025.00</b>	<b>7,608,897.40</b>

16. Medical Services Contracts Gains /Losses

Description	FY2022/23	FY 2021/22
	KShs	KShs
Waivers and Exemptions	5,481,943.00	5,130,220.00
<b>Total Gain/Loss</b>	<b>5,481,943.00</b>	<b>5,130,220.00</b>

Note 18 was not used in the statement of Financial Performance because the revenue collected was net of exemptions and waivers.

Notes to the Financial Statements (Continued)

17. Cash And Cash Equivalents

Description	FY 2022/23	FY 2021/22
	KShs	KShs
Current accounts	9,057,067.75	10,947,555.75
On - call deposits	0.00	0.00
Fixed deposits accounts	0.00	0.00
Cash in hand	0.00	0.00
Others( <i>specify</i> )- Mobile money	0.00	0.00
<b>Total cash and cash equivalents</b>	<b>9,057,067.75</b>	<b>10,947,555.75</b>

Notes to the Financial Statements (Continued)

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

Description	FY 2022/23	FY 2021/22
Financial institution	KShs	KShs
a) Current account		
Kenya Commercial bank	1156245524	9,057,067.75
Equity Bank, etc	0.00	0.00
Sub-total	9,057,067.75	10,947,555.75
b) On - call deposits		
Kenya Commercial bank	0.00	0.00
Equity Bank – etc.	0.00	0.00
Sub-total	0.00	0.00
c) Fixed deposits account		
Bank Name		
Sub-total	0.00	0.00
d) Others (specify)		
cash in hand	0.00	0.00
Mobile money - Mpesa, Airtel money	0.00	0.00
Sub-total	0.00	0.00
Grand total	9,057,067.75	10,947,555.75

18. Receivables From Exchange Transactions

Description	FY 2022/23	FY 2021/22
Medical services receivables	12,524,664.00	7,164,180.00
Rent receivables	1,000.00	0.00
Total receivables	12,525,664.00	7,164,180.00

Analysis of Receivables From Exchange Transactions

Description	Insert Current FY		Insert Comparative FY	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	6,808,530.00	54.35%	2,962,400.00	41.35%
Between 1- 2 years	2,962,400.00	23.65%	1,845,546.00	25.76%
Between 2-3 years	2,754,734.00	22.00%	2,356,234.00	32.89%
Over 3 years	0.00	0.00%	0.00	0.00%
<b>Total (a+b)</b>	<b>12,525,664.00</b>	<b>100%</b>	<b>7,164,180.00</b>	<b>100%</b>

19. Inventories

Description	FY 2022/23	FY 2021/22
	KShs	KShs
Pharmaceutical supplies	0.00	0.00
Maintenance supplies	0.00	0.00
Food supplies	0.00	0.00
Linen and clothing supplies	0.00	0.00
Cleaning materials supplies	0.00	0.00
General supplies	0.00	0.00
Less: provision for impairment of stocks	(0.00)	(0.00)
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

There were no any inventories in the stores as at 30<sup>th</sup> June 2023. Therefore this note was not used but for disclosure purpose.

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*Notes to the Financial Statements (Continued)*

**20. 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
<b>Cost</b>								
At 1 <sup>st</sup> July 2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	202,380.00	697,520.00	3,568,380.00	0.00	4,468,280.00
Disposals	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Transfer/adjustments	0.00	0.00	0.00	0.00	0.00	0.00	(0.00)	0.00
<b>At 30<sup>th</sup> June 2022</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>202,380.00</b>	<b>697,520.00</b>	<b>3,568,380.00</b>	<b>0.00</b>	<b>4,468,280.00</b>
At 1 July 2022	0.00	0.00	0.00	202,380.00	697,520.00	3,568,380.00	0.00	4,468,280.00
Additions	0.00	0.00	0.00	27,850.00	1,266,500.00	423,405.00	0.00	1,717,755.00
Disposals	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Transfer/adjustments	0.00	0.00	0.00	0.00	0.00	0.00	(0.00)	-
<b>At 30<sup>th</sup> Jun 2023</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>230,230.00</b>	<b>1,964,020.00</b>	<b>3,991,785.00</b>	<b>0.00</b>	<b>6,186,035.00</b>
<b>Depreciation and impairment</b>								
<b>Net book values</b>								
At 30 <sup>th</sup> Jun 2022	0.00	0.00	0.00	202,380.00	697,520.00	3,568,380.00	0.00	4,468,280.00
At 30 <sup>th</sup> Jun 2023	0.00	0.00	0.00	230,230.00	1,964,020.00	3,991,785.00	0.00	6,186,035.00

Notes to the Financial Statements (Continued)

21. Trade and other Payables

Description	FY 2022/23		FY 2021/22	
	KShs		KShs	
Trade payables	9,465,823.00		4,674,511.00	
Third-party payments (e.g., unremitted payroll deductions)	79,958.00		127,298.00	
<b>Total trade and other payables</b>	<b>9,545,781.00</b>		<b>4,801,809.00</b>	
<b>Ageing analysis:</b>	<b>FY 2022/23</b>	<b>% of the Total</b>	<b>FY 2021/22</b>	<b>% of the total</b>
Under one year	9,545,781.00	100%	4,801,809.00	100%
1-2 years	0.00	%	0.00	%
2-3 years	0.00	%	0.00	%
Over 3 years	0.00	%	0.00	%
<b>Total</b>	<b>9,545,781.00</b>	<b>100%</b>	<b>4,801,809.00</b>	<b>100%</b>

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

**22. Financial Risk Management**

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

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 (previous year)				
Receivables from exchange transactions	7,164,180.00	0.00	0.00	0.00
Receivables from –non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	10,947,555.75	0.00	0.00	0.00
<b>Total</b>	<b>18,111,735.75</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
At 30 June 2023 (current year)				
Receivables from exchange transactions	12,525,664.00	0.00	0.00	0.00
Receivables from –non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	9,057,067.75	0.00	0.00	0.00
<b>Total</b>	<b>21,582,731.75</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**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
<b>At 30 June 2022</b>				
Trade payables	0.00	4,674,511.00	xxx	4,674,511.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Deferred income	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>4,674,511.00</b>	<b>0.00</b>	<b>4,674,511.00</b>
<b>At 30 June 2023</b>				
Trade payables	0.00	9,545,781.00	0.00	9,545,781.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Deferred income	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>9,545,781.00</b>	<b>0.00</b>	<b>9,545,781.00</b>

**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
<b>At 30 June 2023</b>			
Financial assets (investments, cash, debtors)	0.00	0.00	0.00
Liabilities			
Trade and other payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net foreign currency asset/(liability)	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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

Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
<b>At 30 June 2023</b>			
Financial assets (investments, cash, debtors)	0.00	0.00	0.00
Liabilities			
Trade and other payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net foreign currency asset/(liability)	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**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
<b>2022 (previous year)</b>			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
<b>2023 (current year)</b>			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

**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.

**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	FY 2022/23	FY 2021/22
	Kshs	Kshs
Revaluation reserve	0.00	0.00
Retained earnings	0.00	0.00
Capital reserve	0.00	0.00
<b>Total funds</b>	0.00	0.00
Total borrowings	0.00	0.00
Less: cash and bank balances	(0.00)	(0.00)
Net debt/ <i>(excess cash and cash equivalents)</i>	0.00	0.00
<b>Gearing</b>	0.00%	0.00%

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

**23. 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.

Nakuru 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	FY 2022/23	FY 2021/22
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to Related Parties	0.00	0.00
Sales of services to related parties	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>
<b>b) Grants from the Government</b>		
Grants from County Government	0.00	0.00
Grants from the National Government Entities	0.00	0.00
Donations in kind	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for related parties employees	0.00	0.00
Payments for goods and services for related parties	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**BAHATI SUB-COUNTY Hospital (NAKURU County Government)**  
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Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
<b>d) Key management compensation</b>		
Directors' emoluments	1,300,000.00	1,772,000.00
Compensation to the medical Sup	0.00	0.00
Compensation to key management	0.00	0.00
<b>Total</b>	<b>1,300,000.00</b>	<b>1,772,000.00</b>

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

**26. Currency**

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

**20. Appendices**

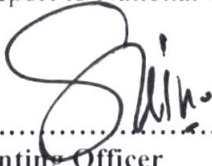
**Appendix 1: Progress on Follow Up of Auditor Recommendations**

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.

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

**Guidance Notes:**

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



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**Accounting Officer**

**BAHATI SUB-COUNTY Hospital (NAKURU County Government)**  
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**Appendix II: Projects Implemented by The Entity**

**Projects**

Projects implemented by the Hospital Funded by development partners

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

**Status of Projects completion**

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

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

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**Appendix III: Inter-Entity Confirmation Letter**

*[Insert your Letterhead]*

*[Insert name of beneficiary entity]*

*[Insert Address]*

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

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

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

**Head of Accounts Department of the beneficiary entity:**

Name ..... Sign ..... Date .....

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**Appendix IV Reporting of Climate Relevant Expenditures**

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

