

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

**REPORT**

PARLIAMENT  
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**OF**

**THE AUDITOR-GENERAL**

**ON**

**NYAHURURU COUNTY REFERRAL  
HOSPITAL**

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

**COUNTY GOVERNMENT OF LAIKIPIA**

25/09/24  
S.M.L  
Angela



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**NYAHURURU COUNTY REFERRAL HOSPITAL  
(COUNTY GOVERNMENT OF LAIKIPIA)**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

LAIKIPIA COUNTY GOVERNMENT  
NYAHURURU COUNTY REFERRAL HOSPITAL  
15 AUG 2024

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background Information**

The Nyahururu County Referral Hospital was first established by the Colonial Government in 1928 targeting to serve mainly the natives. The Government of Kenya took over the facility in 1968 under Ministry of Health until 2011 when its services were devolved to Laikipia County. The Nyahururu County Referral Hospital has morphed over the years to a high-volume Level 4 hospital serving clients from five counties namely Samburu, Nakuru, Nyandarua, Nyeri and Samburu.

The Facility main objective is to provide quality health services towards attaining highest standards of patient care with dignity and optimal satisfaction

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

The principal activity of the entity is to:

- To improve the quality of health care services in the hospital
- To provide quality, accessible and affordable health care services
- To Facilitate preventive, promotive and rehabilitative services to the community
- To provide training to different health professionals as internship centre and the main facility supporting training for the KMTC Nyahururu Campus
- To conduct research in diverse public health fields for evidence based decision making

### **(c) Key Management**

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

- County Department of Health
- Board of Management
- Chief Executive Officer/ Accounting Officer
- Hospital/ Health Management Team

**(d) Fiduciary Management**

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

No.	Designation	Name
1	Chief Officer - Health Department	Dr. Donald Mogoi
2	Acting Chief Executive Officer	Dr. Waihenya Mwangi
3	Health Department Accountant	CPA M. Charles Ntonjira
4	Accountant	CPA Ann Nyawira

**(e) Fiduciary Oversight Arrangements**

- (i) Internal Audit
- (ii) Parliamentary Oversight Committees
- (iii) Development partners
- (iv) County Assembly

**(f) Entity Headquarters**

P.O. Box 86-20300, Nyahururu  
Nyahururu County Referral Hospital  
Nyahururu - Nakuru Highway (Opposite Nyahururu Police Station)  
Nyahururu, KENYA

**(g) Hospital's Contacts**

Telephone: (+254) 721721109  
E-mail: medsupnyahudh@gmail.com  
Website: www.nyahururudisthosp.or.ke

**(h) Entity Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000, City Square 00200  
Nairobi, Kenya

Family bank  
Nyahururu branch  
P.o box 2103-20300  
Nyahururu.

Kenya commercial bank  
Nyahururu branch  
P.o. box 164-20300

*Nyahururu County Referral Hospital  
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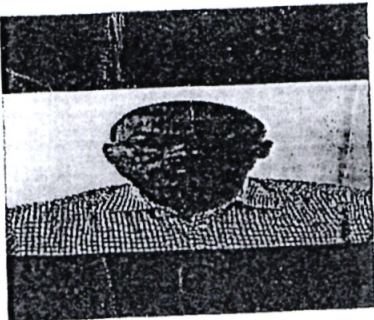
- (i) **Independent Auditors**  
Auditor General  
Office of Auditor General  
Anniversary Towers, Institute Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya
- (j) **Principal Legal Adviser**  
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya
- (k) **County Attorney**  
P.O. Box.1271 -10400  
Nanyuki, Kenya

**I. THE BOARD OF MANAGEMENT**

During the period under review the board of management was not in place since the lapse of the immediate former board.

*Nyahururu County Referral Hospital  
County Government of Laikipia  
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**III. MANAGEMENT TEAM**




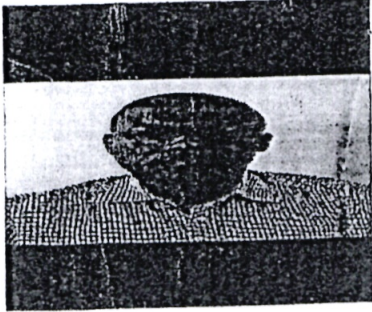
Ref	Management	Details
1.	 Dr. Patrick Waihenya	Masters in Public Health Position: Chief Executive Officer (CEO), Nyahururu County Referral Hospital
2.	 Mr. Thomas Kiptoo Kwalia	Masters in Public Administration and Policy Position: Head of Corporate Services
3.	 Mr. Wilson Mutonyi Gitonga	Bachelors in Nursing Post Graduate Diploma, Project Management Position: Manager, Nursing Services
4.	 Dr. Seth Jomo	Masters in Pharmacy epidemiology and Pharmacovigilance Position: Manager, Pharmacy Services


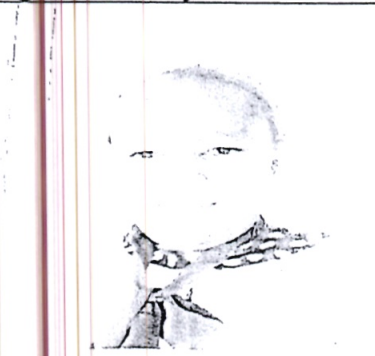

**I. THE BOARD OF MANAGEMENT**

During the period under review the board of management was not in place since the lapse of the immediate former board.

*Nyahururu County Referral Hospital  
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Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

**III. MANAGEMENT TEAM**

Ref	Management	Details
1.	 Dr. Patrick Waihenya	Masters in Public Health Position: Chief Executive Officer (CEO), Nyahururu County Referral Hospital
2.	 Mr. Thomas Kiptoo Kwalia	Masters in Public Administration and Policy Position: Head of Corporate Services
3.	 Mr. Wilson Mutonyi Gitonga	Bachelors in Nursing Post Graduate Diploma, Project Management Position: Manager, Nursing Services
4.	 Dr. Seth Jomo	Masters in Pharmacy epidemiology and Pharmacovigilance Position: Manager, Pharmacy Services

5.	 Agatha Wamuyu	Diploma in Procurement and Supply Chain Management. Position: Supply Chain Management Officer
6.	 Ann Nyawira	CPA Finalist Hospital Accountant
7.	 Jerioth Wambui	Diploma in Human Resource. Hospital Human Resource Management Officer

#### **IV. CHAIRMAN'S STATEMENT**

During the period under review the board of management was not in place since the lapse of the immediate former board.

## **V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

Nyahururu County Referral Hospital is registered as a level IV hospital with advanced plans to upgrade it to a level V Hospital. The geographical position of the hospital has enabled us to provide comprehensive and quality health services to the population of Laikipia, Nyeri, Nyandarua, Nakuru, Baringo and Samburu counties.

A wide range of staff continue to provide services with dedication and commitment in order to make this hospital the best health institution with optimal health outcomes. Our services involve both outpatient and inpatient services with an emphasis of specialized clinics in ENT, Orthopaedics, General Surgery, Paediatrics, Obstetrics and Gynaecology. We are equally determined to attract clients from far flung areas of the county and from all mentioned surrounding counties for specialized health services that can be delivered effectively and efficiently.

To achieve this, we have continuously invested in a number of areas. These include accreditation of our hospital medical laboratory to provide a wide range of tests and equally attract research opportunities in the county, establishment of amenity clinics that provide services to private insurance clients who are covered by NHIF, Kenya Alliance, Jubilee Insurance and Minet as well as restructuring of our points of care for efficiency. For instance, our head and neck services are currently provided under one roof. These include the Ear, Nose and Throat (ENT), Dental and Ophthalmological services.

In addition, we have expanded our specialized services by engaging additional specialists – an ENT surgeon and Orthopaedic surgeons in the existing panel of specialists. There are deliberate efforts to make the hospital a centre of excellence in ENT services.

The near completion Modern Maternity and child Unit will bring additional 120 beds in the hospital with two theatre units, spacious New-born Unit, Prenatal ward, Labour ward, postnatal ward and Amenity ward. This will enhance efficiency in delivery of highly utilized maternal and child health services. It will equally reduce waiting time for elective surgical operations in the hospital.

Lastly, the Emergency and Trauma unit is a crucial unit and has constantly continued to provide timely emergency services for 24 hours all days. a day and night. We are delighted that the unit is fully managed by dedicated qualified medical doctors and nurses.

We appreciate the support of the County Government of Laikipia, hospital management team, and all our partners for their support in delivery of our core mandate.

**Preparation of 1<sup>st</sup> financial statements for Nyahururu County Referral Hospital**

The financial statements for Nyahururu County Referral Hospital for the FY 2021/22 have been derived from the Audited Financial Statements for Laikipia County Executive for the same period. This is because during the period the Hospital was operationally considered as part of the Department of Health & Medical Services of Laikipia County Government. It was therefore not operationally autonomous as all transactions were effected on the IFMIS system at the County Executive level.

The Hospital has in accordance with IPSAS 33 opted for the transitional adoption of IPSAS accrual basis of financial statements presentation.

Signed:  15 AUG 2024

**Dr. Lawrence Kamande**  
**Chief Executive Officer- Nyahururu County Referral Hospital**

**v.I. STATEMENT OF NYAHURURU COUNTY REFERRAL HOSPITAL'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Boards includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Nyahururu County Referral Hospital plan 2019- 2024 are as follows:

- Infrastructure – improve physical facilities, provide modern medical equipment, integrate ICT in the hospital
- Adequate skilled human resource
- Enhance financial performance
- Enhance Audit and Risk Management
- Strengthen supply chain management
- Intergrate Environment, social and governance concerns into our mission
- Optimize customer experience
- Enhance research, training and innovative activities
- Improved clinical services

Below we provide the progress on attaining the stated objectives:

Strategic Area	Objective	Outcome	Indicator	Performance
Infrastructure	Improved physical facilities	Building mother and child unit Ablution block Extension of OutPatient waiting bay	Built mother and child unit Ablution block Extension of OutPatient waiting bay	Enhanced sanitary and mother and child services
Environment, social and				
Service delivery	Improved clinical service	Enhanced clinical and professional governance Continuous medical education	Reduced hospital length of stay Reduction in mortality rates CME committee in place	In the year , there was reduced length of stay as well as weekly CMEs

**II. CORPORATE GOVERNANCE STATEMENT**

During the period under review the board of management was not in place since the lapse of the immediate former board.

### VIII. MANAGEMENT DISCUSSION AND ANALYSIS

Number of Outpatients - 209207

Number of inpatients - 10180

Number of maternal deliveries - 4510

#### Summary of OPD Attendance for the FY 2021/2022

OPD ATTENDANCE	Q1	Q2	Q3	Q4	Total
Over 5	23857	18709	26442	24659	93667
Under 5	3885	3282	3222	5664	16053
Casualty	2250	2487	2439	2697	9873
<b>Totals</b>	<b>29992</b>	<b>24478</b>	<b>32103</b>	<b>33020</b>	<b>119593</b>

#### Summary of inpatient for the FY 2021/2022

Wards	Beds	Cots	Admissions	Discharges	Deaths
Medical Male Ward	16	-	936	772	158
Medical Female Ward	16	-	912	796	104
Maternity Ward	35	-	4648	4645	3
Paediatric Ward	16	-	954	887	74
Nursery/Neonatal Ward	-	15	460	385	64
Surgical paediatric	40	-	529	523	6
Surgical Female	10	-	451	435	16
Surgical Male	23	-	731	683	44
Gynaecology Ward	10	-	559	547	5
Other wards	-	-	-	-	-
<b>Totals</b>	<b>166</b>	<b>15</b>	<b>10180</b>	<b>5028</b>	<b>471</b>

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**Specialized Clinics attendance summary for the FY 2021/2022**

Specialized Clinic	New clients	Re-visits	Totals
ENT clinic	1784	3785	5569
Eye Clinic Attendance	3026	5942	8968
TB and Leprosy attendance	144	1152	1296
Comprehensive Care Clinic(CCC)	105	7521	7626
Psychiatry Attendance	891	4793	5684
Orthopaedic Clinic Attendance	3624	7265	10889
Occupational Therapy Attendance	683	6364	7047
Physiotherapy Attendance	1019	5304	6323
Medical Attendance	1053	7518	8571
Surgical Clinics Attendance	795	2765	3560
Paediatric Attendance	157	1776	1933
Obstetrics/ Gynaecology Attendance	379	1033	1412
Nutrition Clinic	6789	9607	16396
<b>Totals</b>	<b>20449</b>	<b>64825</b>	<b>85274</b>

**Summary of key indicators for the year FY 2021/2022**

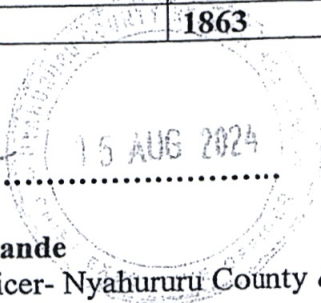
Indicator	Q1	Q2	Q3	Q4	Average
Average length of stay (Days)	5	5	5	5	5
Bed Occupancy rate (%)	93%	94%	91%	93%	93%
Mortality rate (%)	6.1%	6.3%	6.3%	6.3%	6.3%

**Summary of surgical theatre utilisation for the FY 2021/2022**

	Q1	Q2	Q3	Q4	Totals
Minor surgeries operated	132	108	111	126	477
Emergencies Operated	390	312	366	429	1497
Cold surgical cases	369	348	360	393	1470
Major surgeries	627	579	615	657	2478
Caesarean Section	345	344	338	342	1369
<b>Totals</b>	<b>1863</b>	<b>1691</b>	<b>1790</b>	<b>1947</b>	<b>7291</b>

*Lawrence Kamande*  
.....

**Dr. Lawrence Kamande**  
Chief Executive Officer- Nyahururu County & Referral Hospital



## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The facility's main mandate is provision of quality and affordable healthcare services. However, these services require enabling resources such as energy and water among other inputs. A significant proportion of our revenue is spent on electricity and water. We explored sustainable sources of energy. As a result, an energy transition plan to solar was initiated. Additionally, water harvesting was considered to supplement piped water from NYAHUWASCO.

### **i) Environmental performance**

Through collaboration with Express Motorbike Group, trees were planted around the hospital and along the flowerbeds that are outside the compound of the hospital. Waste management practices and processes were established with all medical waste from surrounding facilities both private and public incinerated at the hospital's incinerator. Sensitization training on segregation and management was conducted among different healthcare workers. Efforts were made to have designated green areas, conserve water and also minimize energy wastage.

### **Employee welfare**

The hospital has an established HR recruitment and management policy outlining diversity and equality, fair compensation and disciplinary processes as guided by the relevant legislations and policies. The hospital has continued providing staff with tea and snacks. A staff welfare committee was established during this period.

### **ii) Market place practices-**

#### **a) Responsible competition practice.**

The hospital has zero tolerance to corruption. The hospital collaborates with other health institutions on different areas to ensure continuity of care. For instances; patients' referrals, consultations and trainings. Tendering process has remained open and competitive in line with relevant legislations.

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

The institution adheres to Public Procurement and Asset Disposable ACT (PPDA), 2015 and Public Finance Management Act, 2012. The hospital endeavours to pay suppliers within the agreed credit period. However, delays have been experienced due to inadequate funding and exchequer delays.

**c) Responsible marketing and advertisement**

The hospital has an active communication unit and a vibrant social media presence. Plans are underway to have an institutional website.

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

A number of CSR activities were undertaken during the financial year including Urological camp where 600 patients were screened out of whom 102 were operated. In addition, other CSR activities included outreaches to the public.

## **X. REPORT OF THE BOARD OF MANAGEMENT**

During the period under review the board of management was not in place since the lapse of the immediate former board.

## **XI. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 164 of the Public Finance Management Act, 2012 requires the Accounting Officer to prepare financial statements in respect of Nyahururu County and Referral Hospital, which give a true and fair view of the state of affairs of the Nyahururu County and Referral Hospital at the end of the financial year 2021/22 and the operating results of the for the Nyahururu County and Referral Hospital FY 2021/22. The Accounting Officer is also required to ensure that the Nyahururu County and Referral Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Nyahururu County and Referral Hospital. The Accounting Officer is also responsible for safeguarding the assets of the Nyahururu County and Referral Hospital.

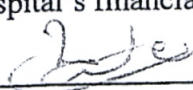
The Accounting Officer is responsible for the preparation and presentation of the Nyahururu County and Referral Hospital's financial statements, which give a true and fair view of the state of affairs of the Nyahururu County and Referral Hospital for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the Nyahururu County and Referral Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

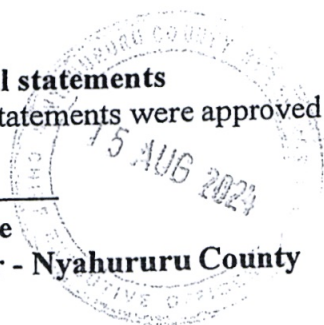
The Accounting Officer accepts responsibility for the Nyahururu County and Referral Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards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

Nothing has come to the attention of the Accounting Officer to indicate that the Nyahururu County and Referral Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

The Hospital's financial statements were approved on 15th November 2023 and signed by

  
**Dr. Lawrence Kamande**  
**Chief Executive Officer - Nyahururu County**  
**and Referral Hospital**



# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON NYAHURURU COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF LAIKIPIA**

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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 that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

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

#### **Adverse Opinion**

I have audited the accompanying financial statements of Nyahururu County Referral Hospital – County Government of Laikipia set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial

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*Report of the Auditor-General on Nyahururu County Referral Hospital for the year ended 30 June, 2022 – County Government of Laikipia*

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Nyahururu County Referral Hospital – County Government of Laikipia as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012, the County Governments Act, 2012, the Health Act, 2017 and the Laikipia Health Services Act, 2014.

### **Basis for Adverse Opinion**

#### **1. Anomalies in Revenue**

The statement of financial performance reflects revenues from non-exchange transactions of Kshs.485,820,562 and Nil revenue from exchange transactions. The following unsatisfactory observations were made.

- i. Review of the of the Laikipia County Government's programme-based annual estimates for the year ended 30 June, 2022 as well as the County's Department of Health's vote book indicated transfers to the Hospital of Kshs.140,699,071 (development - Kshs.45,000,000 and recurrent - Kshs.95,699,071). However, the transfers to Laikipia County Facilities Improvement Fund (FIF) bank account for utilization by the Hospital were not disclosed in the statement of financial performance.
- ii. The Laikipia County Facilities Improvement Fund (FIF) bank statement and cash book for the Central Bank of Kenya (CBK) bank account revealed that the County was operating a single cash book for all health facilities with receipts amounting to Kshs.659,104,659. As a result, the specific transfers from the County Government to Nyahururu County Referral Hospital could not be confirmed. The supporting documents and detailed schedules of facility-specific exchequer releases were also not provided for review.
- iii. Revenue records provided indicated that Nyahururu County Referral Hospital (NCRH) offered services and collected Kshs.166,635,070 net of waivers and exemptions of Kshs.488,172. The collections were remitted to the County Revenue Fund (CRF) and was not disclosed in the financial statements as revenue from

exchange transactions nor were the transfers supported by evidence of receipt in CRF bank statements.

- iv. During physical inspection of the facility, it was observed that United States Agency for International Development (USAID) runs a comprehensive care clinic (handling HIV and TB patients) within the facility which it fully funds. A number of the Hospital's employees were stationed at the facility but for which the Management did not provide details. Donated pharmaceutical and nutritional products and goods were also traced in the facility's store. However, the values of the supplies were not provided nor disclosed in the financial statements contrary to Paragraphs 95-97 of the International Public Sector Accounting Standards 23 that require recognition of gifts and donations (other than services in-kind) as assets and revenue.
- v. In addition, during a physical inspection of the hospital three kiosks were noted to be operating in the Hospital precincts. However, the rent/lease agreement indicating the lessee, rent charges and terms of the lease were not provided for audit nor rent collected disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the revenues from non-exchange transactions of Kshs.485,820,562 and Nil revenue from exchange transactions could not be confirmed.

## **2. Anomalies in the Cash and Cash Equivalents Balance**

The statement of financial position reflects cash and cash equivalents balance of Kshs.299,171. However, review of the bank reconciliation statement for KCB account for the month of June 2022 indicates a cash book balance of Kshs.292,921 similar to the bank statement balance. However, the monthly bank reconciliation statements during the financial year indicated cumulative receipts in bank not in cash book of Kshs.15,503,662. Explanation provided indicated that the funds were collections by other facilities channeled to the County

Further, the other facilities collections channeled through the Hospital's bank account had not been posted in the Hospital's cash book resulting in negative cash book opening balances. No explanation was provided to explain why the contra entries had not been posted for the whole year contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each Accounting Officer to ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer.

In the circumstances, the accuracy of cash and cash equivalents of Kshs.292,921 could not be confirmed.

### **3. Unsupported Inventory Balance**

The statement of financial position reflects inventory balance of Kshs.149,936,835 Audit review of inventory records indicated that the balance was supported by a stock listings/schedules from various departments. However, the sock balance was not supported by a stock take certificate and letters of appointment of the board of survey team that undertook the stock take. Further, no reconciliation of the physical stock-take balances with balances as per the store records (bin cards) was done to confirm the accuracy of the stock take quantities.

In the circumstances, the accuracy, existence and completeness of inventory balance of Kshs.149,936,835 could not be confirmed.

### **4. Undisclosed Receivables from Exchange Transactions**

The statement of financial position reflects Nil receivables from exchange transactions. However, NHIF records on claims payable to the Hospital indicated that the Fund owed the Hospital Kshs.1,732,659 as at 30 June, 2022. Further, the Management did not provide details of services offers to patients with private health insurance and the amount billed, paid and owed as at 30 June, 2022 for review. In addition, the Management did not provide the numbers of patients that were in the Hospital on 30 June, 2022 and the bills accumulated as at the same date for verifications.

In the circumstances, the accuracy and completeness of the Nil receivables from exchange transactions could not be confirmed.

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

The statement of financial position reflects Nil balance in respect of property, plant and equipment. However, Management provided a list of 566 assets held by the Hospital as at 30 June, 2022 whose values was however not included. The explanatory notes to the statement of financial position assert that assets and liabilities had not been presented since the Hospital is in the transition phase of adopting IPSAS accrual and has not finalized on measurement of assets and liabilities. However, paragraph 2 of Note XVI on Significant Accounting Policies indicated that the financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) Accrual. This was contrary to Paragraph 28 of International Public Sector Accounting Standards (IPSAS) 33 which states that an entity opting to exempt itself from presenting PPE in the financial statements affects the fair presentation of a first-time adopter's financial statements and its ability to assert compliance in accordance with IPSAS accrual.

Further, audit review and inspection of the Information Systems environment indicated that the Hospital owned a health information ERP system (Check Management Information System – CMHIS) in use for management of Hospital operations.

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

## **6. Undisclosed Liabilities**

The statement of financial position reflects trade and other payables of Kshs.7,208,050. However, Management provided a list of pending bills of Kshs.26,348,763 as at 30 June, 2022 resulting to a variance of Kshs.19,140,713 which has not been explained. Further, the Management did not provide the creditors' movement schedule providing details of orders made, delivered and invoiced and payments made to support the balance provided in the schedule.

Further, information provided, and discussions held with Management indicated that the County Government terminated engagement with medics in 2019 following a strike. The medical doctors-initiated litigation and the court found the terminations unlawful and ruled for reinstatement of the employees. The employees agreed on a return-to-work formula which included payment of the employees for the 27 months that they had been unlawfully terminated. However, Management did not provide details of the outstanding employees costs as at 30 June, 2022.

In the circumstances, the accuracy of trade and other payables balance of Kshs.7,208,050 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Nyahururu County Referral Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Medical Services Contract Losses**

The statement of financial performance and, as disclosed in Note 6 to the financial statements, reflects medical services contracts losses of Kshs.33,115,738. The loss amount was arrived at after comparing the cost incurred by the Hospital to offer services to National Health Insurance Fund (NHIF) covered patients with the refunds received from the fund.

In the circumstances, provision of medical services by the facility to the NHIF covered patients whose expenses are not fully covered by the refunds exposes the Hospital to financial distress and thus affects the quality of services and sustainability of services.

### **2. Non-Disclosure of Waivers**

Records provided for audit indicated that the Hospital issued waivers amounting to Kshs.13,068,733. The waivers were given to patients following application for waivers, review and vetting of the patient by the social worker and approval of the waivers by the Waiver Committee. However, the waivers were recommended by the social worker without a well-designed review model for determining the need by the patient and was therefore not objective. Further, there was no evidence that the waivers were authorized by the County Executive Member for Finance as required by Section 159 of the Public Finance Management Act, 2012 which states that the County Executive Committee member for Finance may waive a county tax, fee or charge imposed by the county government and its entities in accordance with criteria prescribed in regulations.

In addition, the waiver schedule did not indicate the patients original bill before waivers and were not disclosed in the financial statements as part of revenue from rendering of services

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

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

Management of Nyahururu County Referral Hospital submitted the financial statements for the year ended 30 June, 2022 to the Office of the Auditor-General on 06 December, 2023, more than fourteen (14) months after the statutory deadline 30 September, 2022 contrary to Section 149(2)(k) of the Public Finance Management Act, 2012 which states, *inter alia*, that an Accounting Officer shall, in respect of the entity concerned, not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

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

#### 4. Lack of Authority to Open Bank Accounts

Review of the financial statements and bank accounts revealed that the Hospital had three (3) bank accounts held at Kenya Commercial Bank, Family Bank of Kenya and Equity Bank. However, the Hospital's Management did not provide the authority to open the bank accounts as required by Section 119(1) of the Public Finance Management Act, 2012, which empowers the County Treasury to authorize, open, operate and close bank accounts for the county government and its entities.

Further, audit review of the cash book provided for audit indicated that the Hospital did not have a separate cash book for posting the expenditure once incurred and one bank account was in use by all the Hospital facilities in Laikipia County and all the hospital budgets funding and payments were processed through this account distorting audit trail of expenses incurred by the Hospital and therefore consequently causing commingling of funds.

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

#### 5. Idle Assets

During a physical verification undertaken in the month of April, 2024, the following assets had not been in use since acquisition and Management did not provide an explanation.

- a. The Mother and Child Unit theatre, which was fully equipped, was not operational.
- b. Five beds held in a semi-permanent structure outside in the renal unit, two beds outside the pediatric ward in the open, and one in the newborn unit washroom, and thirteen baby cots held in the maternity corridor and newborn unit store were idle and not in use.
- c. Ten (10) desktop computers.
- d. Nine (9) portable oxygen concentrators which were received on 1 December, 2023, remained unutilized as at April, 2024.
- e. Further verification revealed other idle equipment in the facility as listed below:

No.	Medical Equipment	Location	Quantity Verification	In use	Idle Assets
1	Microscopes	Laboratory	2	1	1
2	Weighing Balance	Laboratory	2	1	1
3	Hematology Analyzer	Laboratory	4	2	2
4	Blood gas	Laboratory	2	0	2
5	Patient Monitor	General Theatre	4	3	1
6	Patient Monitor	Ward 4	1	0	1

No.	Medical Equipment	Location	Quantity	Verification	In use	Idle Assets
7	Ultrasound Machine	Radiology/ RAY	X-	4	1	3
8	Desktop Computers	Radiology/ RAY	X-	4	3	1
9	Desktop Computers	Stores		2	1	1
10	Airspace Heater	Male Medical Ward 3		2	1	1

In the circumstances, the Hospital may not have achieved value for money spent on acquiring the assets.

## 6. Failure to Appoint a Board of Management

Review of the governance structure of Hospital revealed that the facility has been operating without a Board of Management. An interview with the Management revealed that the last board meeting was held in June, 2021. This is contrary to Section 9(1) of the Laikipia County Health Services Act, 2014 which states that a County and a Sub-County hospital shall be governed by a Board appointed by the Executive Member (of Health) and approved by the Governor.

Further, discussions held with Management indicated that the Hospital's Management Team (comprising of heads of departments) was the body that undertook governance roles during the period under audit. However, the Management did not provide evidence of official appointment letters and duties, roles and responsibilities to be undertaken by the team.

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

## 7. Services Offered Without Valid Licenses

Nyahururu County Referral Hospital was registered as a level 4 public medical institution under serial number GK-013071 on 15 August, 2017. However, review of the Hospital's license to operate as a public medical institution revealed that the Hospital has been operating for over 6 years without a valid license. Failure to obtain a license is contrary to Section 15(11) of the Medical Practitioners and Dentists Act, 2021 which states that no premise shall be used by any person as a health institution unless it is registered and licensed for such use by the Council. Although the Management explained that the license- costs are too high, a review of the KMPDC licensing fees revealed that Public Health Facilities are charged nil (zero) fee for the Facility License.

Further other mandatory licenses provided for audit review had expired as per table below:

No.	Serial no.	License	Issuer	Expiry
1.	27025	License to operate as a public medical institution	Medical Practitioners and Dentist Board	31/12/2017
2	15773	Portable general X-RAY unit	Radiation Protection Board	30/6/2019
3	15772	General X-RAY unit	Radiation Protection Board	30/6/2019
4	15775	Dental X-RAY unit	Radiation Protection Board	30/6/2019
5	15774	C-Arm unit	Radiation Protection Board	30/6/2019
6	G02/0085	Certificate of Public Laboratory Registration-Class E	The Kenya Medical Laboratory Technicians and Technologists Board	31/12/2019

In addition, no evidence was provided that the Hospital's health workers (doctors, clinical officers and nurses) who offered services in the Hospital during the financial year under audit were licensed/registered by MPDCU, Pharmacist and Poisons Board, the Nursing Council and the Clinical Officers Council.

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

#### **8. Irregular Procurement of Pharmaceutical and Non-Pharmaceutical Supplies**

The statement of financial performance reflects medical/clinical costs of Kshs.48,812,756 out of which Kshs.37,526,535 is in respect of pharmaceutical and non-pharmaceutical supplies available from Kenya Medical Supplies Authority (KEMSA). Review of the procurement processes indicated that the Hospital maintained a list of suppliers engaged with framework contracts for supply of pharmaceutical and non-pharmaceutical supplies. The suppliers we recruited and engaged at the County Headquarters level and the same was in use by the Hospital. The following observations were made on review of the initiation (user request), processing and ordering of the supplies by the Hospital.

- i. The Hospital procured all the pharmaceutical and non-pharmaceutical supplies from other suppliers instead of KEMSA. The procurements were not supported by evidence of the non-availability of the supplies from KEMSA. This is contrary to the law before the supplies are done.
- ii. The Hospital did not have a documented policy on selecting suppliers to be engaged from the framework contracts or on rotation of suppliers.
- iii. Management procured medical drugs of Kshs.5,256,390 using cash thus undertaking direct procurement process contrary to the law.

- iv. The Hospital Management did not have a clear process of the role of the pharm and non-pharm supplies users, procurement officers and stores officers in the procurement process. This resulted in overlapping roles with users making orders and being involved in issuing the supplies.
- v. Review of local purchase orders indicated that the Hospital issued manual orders not captured in IFMIS. The same was later captured in IFMIS long after delivery a clear indication of procurement by the Hospital when there was no budget only for the same to be posted on availability of budget.
- vi. Tracing of supplies in store indicated that cash purchases and medical gases supplies were not being taken on charge in store by receiving, recording, and issuing to users.

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

### **9. Mismanagement of Expired Drugs**

Review of the supplies in store revealed that some drugs were expired. A detailed review of records and verification of the expired drugs revealed that some expired medical supplies VDRL were still in the shelves while others had been kept in a separate store. Examination of the drugs kept in the separate store and documentation thereon, revealed that no records were kept on the batch number of the drugs thus audit could not confirm the batch of the expired drugs, thus unable to confirm when they were delivered. Further, review of records at store, revealed that no request to dispose the drugs was in place.

Further, there was no documented policy on detection/identification, storage and destruction of expired pharmaceutical products that would produce toxins and expose staff to side effects. No value provided for the expired drugs and the dates received.

This was contrary to Section 163 (1) of Public Procurement and Asset Disposal Act, 2015, which states that an accounting officer shall establish a disposal committee as and when prescribed for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or assets.

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

### **10. Anomalies in Laboratory Operations**

Physical verification undertaken at the facility laboratory in April, 2024 revealed poor internal control of medical supplies and equipment contrary to Section 162(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer of a procuring entity shall ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity, as follows.

- i. The laboratory did not maintain a register/ bin cards for all supplies received and dispatched for usage. Collections from the store could not be confirmed to have reached the laboratory. Further, the laboratory did not document reagent use against the lab tests request to confirm usage and exposed the facility to misappropriation and losses.
- ii. The existing Laboratory Hospital Information System (LHIS) was not in use. The laboratory manually maintained all records and failed to implement a laboratory system.
- iii. The laboratory supplies were stored in the manager's office with no specific store or shelves. It was noted that the medical supplies did not have specific storage shelves and were kept on the floor.
- iv. Various reagents in the laboratory were not in use. An interview with the in-charge revealed that while some were not in a usable state, others did not have requisite reagents to function. Management did not explain why reagents were not in the laboratory while suppliers for the reagents were prequalified and contracted.

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

#### **11. Anomalies in Pharmacy Operations**

Verification and review of the records and physical verification at the hospital pharmacy in April, 2024, to check compliance with Section 162(1) of the Public Procurement and Asset Disposal Act, 2015 stating that an accounting officer of a procuring entity shall ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity indicated the following observations.

- i. There were variances between the balances recorded in the bin cards and the actual number of stocks on the shelves as indicated in below.

No.	Drug	Bin Card	Count	Variance
1	Clutrine Pessanes	205	113	(92)
2	Azithromycin Sus	393	110	(283)
3	Amlodipine	8,560	5,280	(3,280)
4	Cap Amoxicillin	2,600	700	(1,900)
5	Inj Benzylpenicillin	426	303	(123)
6	Inj Adrenaline	890	960	70
7	Inj Hydrocortisone	249	281	32
9	Infusion Normal Saline	540	1,260	720

- ii. The pharmacy had large quantities of stock. Verification revealed 35 carton boxes of pharmaceuticals in a room within the pharmacy, while the shelves had near-full shelves. This casts doubt on the existence of reorder levels and indicates attempts by the pharmacy to create another store for itself.
- iii. The pharmacy had poor access controls. The door was not fully locked and non-pharmacy staff could walk in and out.
- iv. Audit review of the CHIMS stock report as at the time of audit on 15 April, 2024 indicated ninety-six (96) negative/overdrawn/over dispensed drugs valued at Kshs.6,488,995. The anomaly was not explained
- v. Management did not provide stock reports as at 30 June, 2022, in spite of the pharmacy being managed using the CHIMS inventory module.
- vi. Management did not provide an inventory movement schedule and the prescriptions report for comparison to ensure all issues from the pharmacy were as a result of prescriptions and not through pilferage.

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

## **12. Failure to Comply with Pharmacy and Poisons Rules**

Physical observation and discussions held with Management indicated that the Hospital did not have a documented policy of handling, management (receipt, issue and dispensing) and custody of controlled drugs(poisons) as provided by the Pharmacy and Poisons Rules. Management did not provide a list of Part I poisons in the custody of the pharmacist contrary to the Pharmacy and Poisons Rules 13. on Safe custody of poisons which states that (1) No person engaged in a trade, business or profession shall knowingly have in his possession or under his control a poison, unless the following conditions are complied with at all times when the poison is not in actual use - (a) the poison shall be kept under lock and key (i) in a separate room or compartment specially reserved for keeping poisons and partitioned off from the rest of the premises; or (ii) in a cupboard, box or other receptacle specially reserved for keeping poisons, clearly marked with the words "Poisons Only", and kept in a place apart from anything containing food or drink. (b) the poison shall be kept in a place ordinarily accessible only to persons lawfully having access thereto; (c) the key of the room, compartment, cupboard, box or other receptacle in which poisons are kept shall be retained under the control of the person in charge of the poison.

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

## **13. Improper Engagement of Casuals**

The statement of financial performance reflects employee costs of Kshs.408,277,035 out of which Kshs.25,609,390 is in respect of salaries, wages and allowances temporary employees (casuals). Audit review of casuals' records indicated that the Hospital engaged

casuals with three (3) months renewable contracts which had been renewed for periods ranging from 1 to 20 years. This is contrary to Section 37(1)(a) of the Employment Act which states that, notwithstanding any provisions of this Act, 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.

Further, discussions with Management indicated that there was no documented and approved casual engagement policy, framework or manual. In the absence of the policies new staff were to positions held by long serving casuals with the required qualifications. This is an indication of unfair and discriminatory practice by the county public service board which could lead to demotivation and low morale resulting in non-delivery of services.

In addition, casuals' schedule provided indicated that the casuals had key and sensitive roles in the Hospital including post of in-charge of ICT, billing officers, revenue clerks, in-charge of stores. Posting of casuals in key and sensitive hospital departments/sections exposes the provision of services to a major threat of discontinuation of services.

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

#### **14. Non-compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution**

Audit review of the Hospital's payroll for the year under audit revealed that out of two hundred and seven (207) staff members paid through the Integrated Payroll and Personnel Database (IPPD), one hundred and thirty-nine (139) or 67% were female while only sixty-nine (69) or 33% were male. However, one hundred and sixty-five (165) or 80% came from only one ethnic tribe contrary to the constitution. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that, no public establishment shall have more than one third of its staff from the same ethnic community. The gender and ethnicity of staff on casual engagement was not provided for audit review.

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

#### **15. Staff in Acting Role for More than the Stipulated Period**

Review of personnel files indicated that the Head of Corporate Services was posted to the position on December, 2019, in acting capacity a position held up to June, 2022, without being confirmed. Management did not provide details on why the officer continued in the post in an acting capacity without confirmation for over thirty months contrary to Section C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states, *inter alia*, acting allowance will not be payable to an officer for more than six (6) months. Further, no evidence was provided to show payment of acting allowance or intention through advertisement of filling the post substantively.

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

## **16. Unsafe Storage of Flammable and Corrosive Supplies**

Audit inspection of the main store indicated that highly flammable liquids like methanol, ethanol, surgical spirit were stored together and close to non-flammable store items. The international hazard symbols were also not displayed. There was no evidence that the Hospital complied with the Fire Reduction Rules 2007.

In addition, corrosive items like potassium hydrogen and methanol were not stored in steel cabinets to prevent leakage in contravention of Section 4 of the Occupation Health and Safety Act, no.15 of 2007, which states that a person wishing to set up or operate a facility for the use on or storage of highly flammable substances shall ensure that such facility is in the designated area.

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

## **17. Unauthorized Over expenditure**

The statement of comparison of budget and actual amounts reflects revenue final budget and actual on comparable basis of Kshs.485,820,562 each which is also equal to the expenses budget and actual on comparable basis. However, review of Integrated Financial Management Information System (IFMIS) vote book indicated a final budget of Kshs.140,699,071 and total payments and commitments of Kshs.142,513,583 resulting to an unauthorized over expenditure of Kshs.1,814,512 contrary to Regulation 112 of the Public Finance Management (County Governments) Regulations, 2015 which states that, if an Accounting Officer finds, after Appropriation Accounts are completed, that he or she has spent more than the total vote, that Accounting Officer shall seek County Assembly approval through the County Executive Committee Member for that Excess Vote.

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

The audit was conducted in accordance with the 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my

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*Report of the Auditor-General on Nyahururu County Referral Hospital for the year ended 30 June, 2022 – County Government of Laikipia*

report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Lack of Policy Documents**

Review of information, documents and discussions held with Management and staff of departments indicated that the facility did not have a risk management policy, stores management policy, ICT policy, procurement policy, assets management and safeguard policy and the relevant manuals for its operations. Management and staff therefore innovated and implemented their own undocumented processes and procedures for various operations that were not guided by approved, policies and manuals.

In the circumstances, the effectiveness of operational processes and procedures geared towards provision of health services in the facility could not be confirmed.

### **2. Inadequacies in Universal Health Care as per Kenya Quality Health model**

Audit analysis of healthcare services offered at the Nyahururu County Referral Hospital, physical verification of medical equipment and review of the staff establishment revealed that the facility did not offer the following essential services. This was in contravention of the First Schedule of Health Act, 2017 for level 4 hospitals.

<b>No.</b>	<b>Essential Service/Health Workers</b>	<b>Requirement</b>	<b>Actual Status</b>
1	Maternity theatre	Functional	Not equipped – not functional
2	Mortuary Attendants	6	3
3	Intensive care unit (ICU) services	Functional with at least 6 beds and 16 ICU nurses	Functional with 6 beds but only 5 nurses
4	Pharmacy with separate inpatient and outpatient service areas -drug store (s);	Pharmacy with separate inpatient and outpatient service areas -drug store (s);	The main pharmacy has only one service area for both outpatient and inpatient

In the circumstances, the Hospital's status as a Level 4 hospital was in doubt required funding and investment to attain/qualify as a level 4 facility.

### **3. Lack of Essential Medicines at the Facility**

Audit comparison of the Kenya Quality Model for Health (KQMH) list of essential medicines as required for the level 4 hospitals, against what was in stock held by the

Hospital indicated that some essentials medicines were not stocked contrary to Appendix 2 of the Ministry of Health's Checklist for Assessing Quality of Healthcare on Essential Medicines which stipulates the medicines that must be available in the Level 4 hospitals in Kenya, as in table 3 below.

No.	Level 4 Facility - Essential Medicines	Status
1	Syr Amoxicillin	Not Stocked
2	Tab Cotrimoxazole	Not Stocked
3	Tab Albendazole	Not Stocked
4	Tab Chlorpheniramine	Not Stocked
5	Tetracycline eye ointment	Not Stocked

Management did not provide an explanation on why the hospital had not stocked the essential drugs or indicated the alternatives drugs stocked in place of the requirement.

In the circumstances, the Hospital's status as a Level 4 Hospital was in doubt and required funding to attain/qualify as a level 4 facility.

#### 4. Improper Management of Property, Plant and Equipment

Audit review of the list of 566 assets provided, physical verification of the assets and discussions held with Management indicated the following:

- a. The assets listing did not disclose basic assets register requirements including, Date of acquisition, Cost of assets at acquisition, Custodian of the asset, Assets status (serviceable, unserviceable or bonded), Equipment model/serial numbers asset tag number and the asset's classification.
- b. Management provided two copies of motorcycle logbooks, one for motorcycle Registration registered under Laikipia County Government while the other for motorcycle was registered to Nanyuki Municipal Council. Further only one motorcycle was produced for physical verification.
- c. During physical verification done in the month of April, 2024 the following assets were observed to be in existence but were not included in the list of assets provided for audit.
  - i. Renal building/block
  - ii. Eight (8) dialysis machines
  - iii. Water treatment plant
  - iv. Male surgical Ward 5 building/block with thirty eight (38) beds.
- d. Management asserted that valuation of all the assets was ongoing to facilitate disclosure of values in the Financial Statements. However, assets acquired in the

year under review which did not require valuation did not have values indicated in the asset listing provided.

- e. Management did not provide any evidence to confirm that the listed assets had been insured against fire, burglary and other perils that the assets were exposed to.

The Hospital internal controls on management of assets are weak and may result in mismanagement and loss of public assets.

## **5. Weakness in Kitchen Inventory Controls**

The statement of financial performance reflects medical and clinical costs of Kshs.48,812,756 out of which Kshs.8,718,156 is for food and ration. Audit inspection of the food stuff store and review of documents and information maintained in respect of the food stuff was done in April 2024 and the following observations were made.

- i. The Hospital did not have a documented policy of issue and management of food stock items being unique stores whose issue and management is dependent on number and composition of patients; nutritional needs of patients as would be prescribed by the nutritionist and perishability of the stock.
- ii. There are no requisitions from the kitchen and requests are made orally. No documentation to confirm requests and kitchen need.
- iii. The review noted inconsistencies in respect of food stuff requests and issues from the store to the kitchen. A comparison of the number of patients against requests from the store indicated that the increase in the quantity requested was not based on the number of patients being fed.
- iv. Discussions held in store with Management indicated that there was no documented ration rate for feeding patients for use to guide the kitchen requirement each day based on the patients in the facility and staff to be fed.
- v. The cold storage refrigeration equipment was not functional. Highly perishable food items (milk & meat) were issued directly to the kitchen on delivery.
- vi. The vegetables store did not have storage racks resulting in unhygienic storage of food on the floor.

The anomalies noted are a clear indication of weakness in kitchen inventory controls that may result in pilferage and losses of kitchen stores.

## **6. Poor Record Keeping on National Health Insurance Fund - Supa Cover Services**

Audit review of revenue records indicated that own generated revenue of Kshs.74,505,090 in respect of National Health Insurance Fund (NHIF) refunds includes

Kshs.11,894,200 being Capitation National (super) cover. However, Management did not provide details of all patients served under this cover for confirmation that they were registered and eligible for free services from the Hospital.

Further, audit review of the process of registering and service patients under Capitation National (super) cover indicated the following:

- i. The patients were registered for free services by the registration clerks who were also confirming the status of the patient from the NHIF records. This created a gap where registration clerk could permit unregistered members to obtain services since there was no authorization or confirmation of the same.
- ii. The CHIMS was not integrated with the NHIF system to allow automated confirmation of Capitation National (Super) cover.
- iii. Management did not have a post approval process to confirm that patients that had been permitted to access free services under this cover were actually eligible

In the circumstances, the internal controls on provision of services to patients under NHIF Supa cover were weak and may lead to losses.

## 7. Variances in Bin Card Balances and Actual Stocks

During physical verification of the main stores in April, 2024 a comparison of the final stocks in the bin cards as at the date of verification against the actual stock in the shelves indicated variances of pharmaceuticals stocks as detailed below.

No.	Drug	Bin Card	Count	Variance
1	Amlodipine Besylate	44,240	46,880	2,640
2	Suture Polyglycolic Acid 5/0 75cm on 19mm	71	127	56
3	Paracetamol Tabs 500mg	55,400	52,400	(3,000)
4	Glove Latex Examination Disposable Medium	59,750	77,000	17,250
5	Sup Metronidazole	3,160	3,100	(60)
6	Inj. Adrenaline	310	320	10
7	Inj. Hydrocortisone	1,180	1,280	100

Further, it was observed that bin cards with a Nil balance were lumped up together in no specific order, away from the shelves making it difficult to retrieve when needed which contravened Section 162(1) of the Public Procurement and Asset Disposal Act, 2015 stating that an accounting officer of a procuring entity shall ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a

basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity.

The anomalies are an indication of weak internal controls that may lead to loss of pharmaceutical stocks.

## **8. Lack of an Inventory Management System**

Audit review of store records and discussions held with Management indicated that the Hospital's main store does not have an inventory management system and maintained manual records for requisitioning, ordering, receipting, controlling and issuing of stores. The Hospital owned and operated a hospital information management system which has an inventory management module in use at the pharmacy. However, the system was not in use at the Hospital's main store. The absence of the inventory management system resulted in the following control weaknesses.

- i. There was no documented inventory management manual.
- ii. The stores did not have a formal way of identifying and tracing expired drugs.
- iii. The Hospital did not have a way of establishing when pharmaceutical stocks were understocked and required reorders.
- iv. There were no documented reorder levels for various stocks.
- v. Issues from the main stores to the pharmacy, laboratory and wards could not be tracked for accountability.
- vi. The Hospital did not have detailed reports of various drugs utilization and dispensing requirement per period.
- vii. Unstructured procurement whose basis and quantities were not supported by any utilization and dispensing requirements.
- viii. There was no policy in respect of storage of high value items, separately and in a controlled area.

Further, the store did not have a documented catalogue detailing all the inventory in the store and their locations of storage. The location of the drugs and other store items was only well known by the store staff. This is in contravention of Section 161 (1) of the Public Procurement and Asset Disposal Act, 2015, which requires an accounting officer of a procuring entity to set up an inventory management system which shall be managed by

the head of the procurement function, for the purpose of control and managing its inventory, stores and assets.

## **9. Weaknesses in Vaccines Management**

Records available from Ministry of Health Vaccine Centre indicate that the Hospital administered 22,919 different vaccines during the period under audit review.

However, Management did not provide the vaccine management information including, number, details and source of vaccines received during the year, vaccines administered, details of recipients of the vaccines and the balances of the vaccines as at 30 June, 2022.

In the circumstances, the controls in respect of vaccines receipt and dispensing are weak and may lead to unaccounted for losses.

## **10. Failure to Procure a Professional Indemnity Cover**

Audit review of records and discussions held with Management indicated that the Hospital had not obtained professional indemnity cover for the health facility and medical practitioners.

In the circumstances, the Hospital was exposed to litigation and material losses in the event of professional malpractice that would result in loss of public funds.

The audit was conducted in accordance with the 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 the Management and 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or 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, the Hospital's Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Management is responsible for overseeing the Hospitals 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 governance and risk management and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

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

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

  
FCPA Nancy Gathungu, SBS  
AUDITOR-GENERAL

Nairobi

05 July, 2024

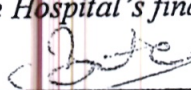
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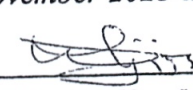
**XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022**

Description	Notes	2021/22
		Kshs.
<b>Revenue from non-exchange transactions</b>		
In-kind contributions from the County Government	1	485,820,562
<b>Total Revenue from non-exchange transactions</b>		<b>485,820,562</b>
<b>Revenue from exchange transactions</b>		-
<b>Total revenue from exchange transactions</b>		-
<b>Total revenue</b>		<b>485,820,562</b>
<b>Expenses</b>		
Medical/Clinical costs	2	(48,812,756)
Employee costs	3	(408,277,034)
Repairs and maintenance	4	(2,812,820)
General expenses	5	(25,917,952)
<b>Total expenses</b>		<b>(485,820,562)</b>
<b>Other gains/losses</b>		
Medical services contracts Gains/Losses	6	(33,115,738)
<b>Total other gains/(losses)</b>		<b>(33,115,738)</b>
<b>Surplus/(deficit) for the period</b>		<b>(33,115,738)</b>

*The entries in the Statement of Financial Performance for the FY 2021/22 are derived from the Audited Financial Statements of Laikipia County Executive for the FY 2021/22. The Hospital has in accordance with IPSAS 33 opted for the transitional adoption of IPSAS accrual basis of financial statements presentation.*

*The notes set out on pages 20 to 23 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved on 15<sup>th</sup> November 2023 and signed by:*

  
Dr. Lawrence Kamande  
CEO Nyahururu County & Referral hospital

  
CPA M Charles Ntonjira  
Health Department Accountant  
ICPAK No:24072

**XIV. STATEMENT OF FINANCIAL POSITION AS OF 30<sup>TH</sup> JUNE 2022**

Description	Note	2021/22
		Kshs.
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	7&8	299,171
Receivables from Non- exchange transactions	9	28,557,097
Inventories	10	149,936,836
<b>Total Current Assets</b>		<b>178,793,104</b>
<b>Non-current assets</b>		-
<b>Total Non-current Assets</b>		-
<b>Total assets</b>		<b>178,793,104</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	11	7,208,050
<b>Total Current Liabilities</b>		<b>7,208,050</b>
<b>Non-current liabilities</b>		-
<b>Total liabilities</b>		<b>7,208,050</b>
<b>Net assets</b>		<b>171,585,054</b>
Revaluation reserve		-
Accumulated surplus/Deficit		171,585,054
Capital Fund		
<b>Total net assets and liabilities</b>		<b>171,585,054</b>

*In accordance with IPSAS 33, the statement of Financial Position for the FY 2021/22 has not presented the Hospital's non-Assets & Liabilities since the hospital is currently in the transitional phase of adopting IPSAS Accrual Basis of financial statement presentation and therefore has not concluded the measurement of its assets and liabilities.*

  
 Dr. Lawrence Kamande

CEO Nyahururu County & Referral hospital

  
 CPA M Charles Ntonjira

Health Department Accountant

ICPAK No:24072

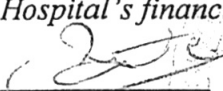
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**XV. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2022**

	Capital/ Development Grants/Fund	Revaluatio n Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Balance as at 1 July 2021	-	-	-	-
Revaluation gain		-	-	-
Surplus/(deficit) for the year	-	-	(33,115,738)	(33,115,738)
Capital/Development grants	-	-	204,700,792	204,700,792
Balance as at 30 June 2022	-	-	171,585,054	171,585,054

*In accordance with IPSAS 33, the statement of changes in Net Assets for the FY 2021/22 has not fully disclosed changes in net assets since the hospital is currently in the transitional phase of adopting IPSAS Accrual Basis of financial statement presentation and therefore has not concluded the measurement of its assets and liabilities.*

*The Hospital's financial statements were approved on 15th November 2023 and signed by:*

  
**Dr. Lawrence Kamande**  
 CEO Nyahururu County & Referral hospital


  
**CPA M Charles Ntonjira**  
 Health Department Accountant  
 ICPAK No:24072

**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021/22 Kshs.
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
In-kind contributions from the County Government	1	485,820,562
<b>Total Receipts</b>		<b>485,820,562</b>
<b>Payments</b>		
Medical/Clinical costs	2	(48,812,755.85)
Employee costs	3	(408,277,034.05)
Board of Management Expenses		-
Repairs and maintenance	4	(2,812,820)
General expenses	5	(25,917,952.4)
<b>Total Payments</b>		<b>(485,820,562)</b>
<b>Net cash flows from operating activities</b>		<b>-</b>
<b>Cash flows from investing activities</b>		
<b>Net cash flows used in investing activities</b>		<b>-</b>
<b>Cash flows from financing activities</b>		
Receipts from Capital grants	7&8	299,171
<b>Net cash flows used in financing activities</b>	7&8	<b>299,171</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	7&8	<b>299,171</b>
Prior Year Adjustment	7&8	-
Cash And Cash Equivalents At 1 July	7&8	
<b>Cash And Cash Equivalents At 30 June</b>	7&8	<b>299,171</b>

*In accordance with IPSAS 33, the cash flow statement does not present the cash flows from some operating, investing and financing activities since the Hospital is currently in the transitional phase of adopting IPSAS Accrual Basis of financial statement presentation and therefore has not concluded the measurement of its assets and liabilities.*

The Hospital's financial statements were approved on 15th November 2023 and signed by:

  
 Dr. Lawrence Kamande

CEO Nyahururu County & Referral Hospital




CPA M Charles Ntonjira  
 Health Department Accountant

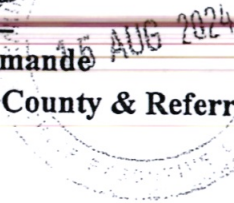
ICPAK No:24072


**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	<i>A</i>	<i>b</i>	<i>c=(a+b)</i>	<i>d</i>	<i>e=(c-d)</i>	<i>f=d/c</i>
<b>Revenue</b>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
<i>In-kind contributions from the County Government</i>	485,820,562		485,820,562	485,820,562	-	
<b>Total Revenue</b>	485,820,562	-	485,820,562	485,820,562	-	100
<b>Expenses</b>						
<i>Medical/Clinical costs</i>	(48,812,756)	-	(48,812,756)	(48,812,756)	-	100
<i>Employee costs</i>	(408,277,034)	-	(408,277,034)	(408,277,034)	-	100
<i>Remuneration of directors</i>	-	-	-	-	-	#DIV/0!
<i>Repairs and maintenance</i>	(2,812,820)	-	(2,812,820)	(2,812,820)	-	100
<i>Grants and subsidies</i>	-	-	-	-	-	#DIV/0!
<i>General expenses</i>	(25,917,952)	-	(25,917,952)	(25,917,952)	-	100
<b>Total Expenditure</b>	(485,820,562)	-	(485,820,562)	(485,820,562)	-	100
<b>Surplus for the period</b>	-	-	-	-	-	
<b>Capital Expenditure</b>	-	-	-	-	-	-

The Hospital's financial statements were approved on 15th November 2023 and signed by:

  
**Dr. Lawrence Kamande**  
**CEO Nyahururu County & Referral hospital**



  
**CPA M Charles Ntojira**  
**Health Department Accountant**  
**ICPAK No:24072**

## **XVIII. SIGNIFICANT ACCOUNTING POLICIES**

### **1. General Information**

Nyahururu County Referral Hospital is wholly owned by the County Government of laikipia and is domiciled in Kenya. The entity's principal activity are;

- To improve the quality of health care services in the hospital
- To provide quality, accessible and affordable health care services
- To Facilitate preventive, promotive and rehabilitative services to the community
- To provide training to different health professionals as internship centre and the main facility supporting training for the KMTC Nyahururu Campus
- To conduct research in diverse public health fields for evidence based decision making

### **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 financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Hospital.

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

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

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

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**i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.**

Standards	Effective date and impact:
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b>            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.            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: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b>            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> <ul 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> </ul>
<p><b>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</b></p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <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>

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Other improvements to IPSAS	<p><i>Applicable 1<sup>st</sup> January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**ii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in the year ~~xxxx~~ <sup>21/22</sup>

**3. Summary Of Significant Accounting Policies**

**a) Revenue recognition**

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

**Transfers from other Government entities**

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

**Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

**Rental income**

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

**b) Budget information**

The original budget for FY 2021/22 was approved by the County Assembly on 31<sup>st</sup> August 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded supplementary appropriations on the FY 2021/22 budget following the Supplementary Budget'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

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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.

**c) Taxes**

**Sales tax/ Value Added Tax**

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

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

**d) Investment property**

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

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

**e) Property, plant and equipment**

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

as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**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

**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.

**h) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

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

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

### **Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

### **Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

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**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**i) Inventories**

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

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

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

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

**j) Provisions**

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

**Contingent liabilities**

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

**Contingent assets**

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

**k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

**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.

**l) 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.

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**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.

**m) 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.

**n) 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.

**o) 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.

**p) 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.

**q) Comparative figures**

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

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**4. 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.

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

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**XIX. NOTES TO THE FINANCIAL STATEMENTS**

**1. IN KIND CONTRIBUTIONS FROM THE COUNTY GOVERNMENT**

Description	2021/22
	KShs
Salaries and wages	408,277,034
Pharmaceutical and Non-Pharmaceutical Supplies	48,812,756
Repairs And Maintenance	2,812,820
General Expenses	25,917,952
<b>Total grants in kind</b>	<b>485,820,562</b>

**2. MEDICAL/ CLINICAL COSTS**

Description	2021/22
	KShs
Dental costs/ materials	(17,478,228.10)
Laboratory chemicals and reagents	(3,880,349.50)
Food and Ration	(8,718,156.05)
Uniform, clothing, and linen	(1,127,320)
Dressing and Non-Pharmaceuticals	(1,136,270)
Pharmaceutical supplies	(13,495,667.2)
Sanitary and cleansing Materials	(1,513,215)
Purchase of Medical gases	(1,054,850)
X-Ray/Radiology supplies	(408,700)
<b>Total medical/ clinical costs</b>	<b>(48,812,755.85)</b>

**3. EMPLOYEE COSTS**

Description	2021/22
	KShs
Salaries, wages, and allowances-permanent	(382,667,643.60)
Salaries, wages, and allowances- temporary	(25,609,390.45)
<b>Employee costs</b>	<b>(408,277,034.05)</b>

**4. REPAIRS AND MAINTENANCE**

Description	2021/22
	KShs
Property- Buildings	(827,910)
Medical equipment	(945,170)
Computers and accessories	(565,000)
Motor vehicle expenses	(474,740)
<b>Total repairs and maintenance</b>	<b>(2,812,820)</b>

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**5. GENERAL EXPENSES**

Description	2021/22
	KShs
Insecticides and rodenticides	(994,111.05)
Conferences and delegations	(1,559,539.2)
Contracted services	(751,010)
Electricity expenses	(6,776,107.9)
Fuel Expenses	(3,760,226)
Travel and accommodation allowance	(601,850)
Printing and stationery	(1,496,703.45)
Water and sewerage costs	(6,000,000)
Telephone and mobile phone services	(745,965)
Internet expenses	(1,170,170)
Staff training and development	(527,150)
General Office Supplies	(1,535,119.8)
<b>Total General Expenses</b>	<b>(25,917,952.4)</b>

**6. Medical Services Contracts Gains /Losses**

Description	2021/22
	KShs
Comprehensive care contracts with NHIF	-
Non- Comprehensive contracts care with NHIF	(5,090,526.00)
Linda Mama Program	(18,899,615.00)
Waivers and Exemptions	(9,125,597.00)
<b>Total Gain/Loss</b>	<b>(33,115,738.00)</b>

**7. CASH AND CASH EQUIVALENTS**

Description	2021/22
	Kshs.
Current accounts	292,921
On - call deposits	-
Fixed deposits accounts	-
Cash in hand (mobile money-pay bill 3131315)	6250
<b>Total cash and cash equivalents</b>	<b>299,171</b>

NB. Kshs. 299,171, represents cash revenue that was not transferred to CRF as at 30<sup>th</sup> June, 2022.

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**8. Detailed analysis of the cash and cash equivalents are as follows:**

		2020/21
Financial institution	Account number	Kshs.
<b>a) Current account</b>		
Nyahururu District Hospital Collection Account	1198224266	292,921
<b>Sub- total</b>		<b>292,921</b>
Cash in hand	Nyahururu county refferal hospital Pay bill number 3131315	
Mobile Money NYAHURURU COUNTY REFERRAL HOSPITAL PAY BILL NUMBER 3131315		6,250
<b>Sub- total</b>		
<b>Grand total</b>		<b>299,171</b>

**9. Receivables from Non-Exchange Transaction**

Description	2021/22
	Kshs.
Transfer from County Executive	-
Undisbursed donor funds	-
Other debtors ( <i>non-exchange transactions</i> )	28,557,097.00
Less: impairment allowance	-
<b>Total receivables from non-exchange transactions</b>	<b>28,557,097.00</b>

**10. INVENTORIES**

Description	2021/22
	KShs.
Pharmaceutical supplies	114,041,901.50
Dressings & Non-pharmaceuticals	32,110,514
X-ray materials	527,900
Laboratory materials	1,159,570
Linén and clothing supplies	2,096,950
<b>Total</b>	<b>149,936,835.0</b>

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**11. Trade And Other Payables**

Description	2021/22
	KShs
Trade payables	7,208,050.00
Employee dues	-
Third-party payments ( <i>unremitted payroll deductions</i> )	-
Doctors' fee	-
<b>Total trade and other payables</b>	<b>7,208,050.00</b>

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

**11.ULTIMATE AND HOLDING ENTITY**

The entity is a Semi- Autonomous Government Agency under the County Government of Laikipia.

**12.CURRENCY**

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

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**APPENDICES**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

Being the 1<sup>st</sup> Annual financial statement submitted for Audit, there were no prior year audit recommendations



**Dr. Lawrence Kamande  
Chief Executive Officer- Nyahururu County & Referral Hospital**



