

REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

ON

**MADIANY SUB-COUNTY
LEVEL 4 HOSPITAL**

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

COUNTY GOVERNMENT OF SIIAYA

PAPERS LAID
DATE 24/09/24
- M.L.
Abdirahman

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
KENYA
23 JUL 2024
ED



MADIANY SUBCOUNTY LEVEL 4 HOSPITAL
(County Government of Siaya)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

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I. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
OPD	Out Patient Department
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
ICPAK	Institute of Certified Public Accountants of Kenya
SAGA	Semi-Autonomous Government Agency
WIBA	Work Injury Benefit Act
JICA	Japanese International Corporation Agency
HIV	Human Immune Virus
TB	Tuber Clauses
NGO	Non-Governmental Organisation
DANIDA	Danish International Development Agency
KEMSA	Kenya Medical Supplies Agency
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

II. Key Entity Information and Management

(a) Background information

Madiany Sub-County Hospital is a level 4 hospital established under gazette notice number 1828 and is domiciled in Siaya County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide quality health services.

Key Management

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

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

(c) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Felix Odhiambo Oloo
2.	Head of finance/Accountant	Mr. Domnick Obel Obongo
3.	Hospital Administrator	Mrs. Beatrice Nyanduko Onserio

(d) Fiduciary Oversight Arrangements

- The Siaya County Treasury
- The Siaya County Department of Health
- County Internal Audit Unit
- Senate and Siaya County Assembly Committees
- Office of The Auditor General

(e) Entity Headquarters

P.O. Box 803-40600
 Siaya County Headquarters,
 Siaya, KENYA

(f) Entity Contacts

P.O. BOX 8-40613 Madiany
Telephone: (+254) 114443283
E-mail: madianydh@gmail.com
Website: www.siayacounty.go.ke

(g) Entity Bankers

Cooperative Bank of Kenya – Bondo Branch

(h) Independent Auditors

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

(i) Principal Legal Adviser

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





(j) County Attorney

P.O. Box. 803
40600, Siaya - Kenya



III. The Board of Management

The facility did not have a Board of Management in place during the period under review.

IV. Management Team

Management	Details
 <p style="text-align: center;">Dr. Felix Odhiambo Oloo</p> <p>Senior Assistant Director Pharmaceutical Services/Pharmaceutical Specialist I MPH (Epidem), B. Pharmacy, B. Business Admin. (BBA) emikanto@gmail.com, Phone: 0701217750</p>	<p>Medical Superintendent</p>
 <p style="text-align: center;">Agripina Muyeku</p> <p>Bachelor of Science in Nursing (BScN) agripinamuyeku@yahoo.com, Phone, 0729011165</p>	<p>Nursing Services Manager</p>
 <p style="text-align: center;">Beatrice Nyanduko Onserio</p> <p>Dip. Secretarial Duties beaty205@gmail.com, Phone: 0720703596</p>	<p>Hospital Administrator</p>
 <p style="text-align: center;">Domnic Obel Obongo</p> <p>CPA I: KATC I & II Phone: 0725393758</p>	<p>Accountant</p>

*Madiany Subcounty Level 4 Hospital (County Government of Siaya)
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 <p>Beryl Nyayiera Dip. Pharmacy Phone: 0726296593</p>	Pharmtech
 <p>Lameck Ochome Bachelor of Science in Medical Laboratory Phone: 0720352053</p>	Laboratory Manager

V.Chairman’s Statement

The Hospital did not have a functional Board of Management in place during the period under review.

VI. Report of The Medical Superintendent.

It is with great pleasure that I present a summary of Madiany Sub-county Hospital's annual report and financial statements for the financial year 2021/22. This report highlights the hospital's financial and operational performances as well as its strategic plans.

Operational Performance.

The hospital provides a variety of specialized medical services ranging from maternal & child health, paediatrics, minor surgical services, medical services, gynaecological and rehabilitation amongst others. With our dedicated team of healthcare personnel, we offer safe, timely, efficient and effective medical services that are patient-centred to the population we serve, making Madiany Sub-county Hospital the facility of choice to our patients. In this financial year the facility attended to 38,215 patients in total with 80% of them being in-patients. We strive to serve a greater number in the coming year.

Centres of Excellence.


Madiany Subcounty Hospital has established centre of excellence in TB, HIV and Nursing training and services delivery. The facility boasts as the best in TB diagnosis, treatment and follow-up in the region having been one of the 9 facilities in the country to be stationed with the portable Chest X-ray machines. This has adversely improved the prognosis of patients with regards to the fight against chronic illnesses. Being a one-stop centre for provision of most, if not all, medical services has led to better prognosis and outcomes in the patients we serve.

Financial Performance.

The hospital relies majorly on internally generated revenue to cover all its operations and maintenance expenses. In the financial year under review, the hospital generated a total of Kshs. 13,777,591 (inclusive of NHIF and Linda mama) which marked a 48% increase in revenues collected in comparison with the last financial year. This can be attributed to the more and better medical services we provided and increase in catchment population. Despite the increase in revenue, the hospital's funding gap still stands at 14.6million (total debts + NHIF/Linda Mama dues) thus affecting financial sustainability of the hospital.

Acknowledgement.

The constant increase in number of patients seeking healthcare services at our hospital serves as a testimony to the love, care and outstanding medical services our dedicated staffs offer to our patients thus providing holistic care and better outcomes and prognosis to the patients. We are also grateful and forever indebted to the hospital's sponsors, stakeholders and Siaya county government for their support, contributions, dedication and kindness in ensuring Madinay Sub-county Hospital operates smoothly. Thank you.


18 JUL 2024
Dr. Josephine A. Nyasoro.
Medical Superintendent.

VII. Statement Of Performance Against Predetermined Objectives

Madiany Subcounty Hospital has 2 strategic pillars and objectives within the current Strategic Plan for the FY 2021- FY 2022. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Improve patient outcome/prognosis and satisfaction.

Pillar/theme/issue 2: Increase revenue generating services.

Madiany Sub county Hospital develops its annual work plans based on the above 2 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2021/2022 period for its 2 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:	Improve patient outcome & satisfaction	-Growth in catchment population. -Increase in number of patients served. -Increase in patient-patient referral to the hospital. -Decreased mortality rate.	-Issuing feedback questionnaires to be filled by patients at discharge and outpatient. -Following up on patient’s recovery via community health workers. -Weekly mortality audits.	-Increase in number of patients served by 35% from previous financial year. -Less mortality registered. -Better prognosis in patient’s served. -Satisfactory feedback from patients.
Pillar/ theme/ issue 1:	Increase revenue generating services	-Increase in monthly revenue collection. -Providing wider range of	-Hiring more healthcare personnel as casuals so as to increase services	-Being operational 24/7 increased the monthly revenue collections.

Madiany Subcounty Level 4 Hospital (County Government of Siaya)
Annual Report and Financial Statements for The Year Ended 30th June 2022

		healthcare services.	provided and to operate 24/7. -Decrease turnaround time for services to maximize on output.	-Hired more staffs as casuals thus improved on number of services offered with shorter turnaround time.
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VIII. Corporate Governance Statement

The Hospital did not have a functional Board of Management in place during the period under review

IX. Management Discussion and Analysis

Operational Performance.

The hospital provides a variety of specialized medical services ranging from maternal & child health, paediatrics, minor surgical services, medical services, gynaecological and rehabilitation amongst others. With our dedicated team of healthcare personnel, we offer safe, timely, efficient and effective medical services that are patient-centred to the population we serve, making Madiany Sub-county Hospital the facility of choice to our patients.

In this financial year the facility attended to 38,215 patients in total with 80% of them being in-patients. This was a drastic increase in the number the hospital served in the last financial year. This can be attributed to the wider variety of services the hospital is able to provide currently. Plans are also underway to increase the in-patient bed capacity by building an in-patient complex and also in acquiring more skilled and specialized health professionals to increase even more on specialized health services offered. The Operating theatre construction is also underway and plans to utilize it too.

Financial Performance.

The hospital relies majorly on internally generated revenue to cover all its operations and maintenance expenses. In the financial year under review, the hospital generated a total of Kshs. 13,777,591 (inclusive of NHIF and Linda mama) which marked a 48% increase in revenues collected in comparison with the last financial year. This can be attributed to the more and better medical services we provided and increase in catchment population. Despite the increase in revenue, the hospital's funding gap still stands at 14.6million (total debts + NHIF/Linda Mama dues) thus affecting financial sustainability of the hospital. Plans are underway in following up with NHIF for the payment of dues, as this will enable the hospital to settle its debts (Kshs. 6million) and improve even better in quality of services provided to meet the increasing demand of patients seeking services at our hospital.

Clinical/operational Performance.

The hospital has a bed capacity of 49 in total in the 5 wards as follows: paediatrics-8; male medical-8; female medical- 13; maternity-20. Overall patient attendance during the year for both inpatient and outpatient was 38,215. Accident and Emergency attendance for the year was 1,400 with majority

majority being attributed to road traffic accidents and partly assault cases. The hospital offers specialised clinic on Tuesday(s) of every week for the chronic diseases and 1st Wednesdays of each month there's Psychiatry clinic spearheaded by the county's Psychiatrist. The average length of stay for in patient during admission ranges from 3-7 days with very chronic cases going even up to 10days. The daily bed occupancy rate ranges from 20% to 60%. Mortality rate for maternal was 0% throughout the period in review. The surgical theatre is yet to be operational. The hospital is also in partnership with Centre for Health Solutions (CHS) through the county government of Siaya and receives sponsorships in carrying out various activities from Non-governmental Organizations (e.g Rafiki wa Maendeleo).

Financial performance

- During the period under review the Facility generated a total of Ksh 17,222,591 broken down as Ksh 3,445,176 in kind from the County Government and Ksh 13,777,591 from rendering of medical services.
- The funds were utilised as follows:
 1. Medical and clinical costs amounted to Ksh 3,216,197
 2. Employee costs amounted to Ksh 3,813,278
 3. Repairs and Maintenance amounted to Ksh 729,364
 4. Grants and subsidies amounted to Ksh 1,898,430
 5. General expenses amounted to Ksh. 3,381,484

X. Environmental And Sustainability Reporting

Madiany Subcounty hospital exists to transform lives. It is what guides the facility to deliver on its strategic mandate by putting the client/Citizen first while providing quality health services, and improving on operational efficiency. Below is an outline of the of the Facility's policies and activities that promote sustainability.

Sustainability strategy and profile

Madiany Sub County hospital has identified the following sustainability priorities: -

- Improving the Hospital infrastructure
- Increasing the Hospital bed capacity
- Improving on collections from facility improvement fund (FIF)
- Bringing on board development partners to support the Hospital
- Enhancing working relations with the National Hospital insurance fund (NHIF)

i) Environmental performance

Madiany subcounty hospital is yet to develop an environmental policy. However, the Hospital endeavours to continue adopting and adhering to the National policies and regulations that guide compliance with the existing environmental management laws. Currently the Hospital is grappling with the challenge of disposal of biomedical waste products generated in the cause of its operations, due to lack of an incinerator, thus depending entirely on the County Government for disposal of biomedical waste. However, the hospital is in communication with the county health department on how to come up with a permanent solution to this menace.

ii) Employee welfare

The Facility endeavours to continuously comply with Occupational Safety and Health Act ,2007 (OSHA) by providing adequate office space that is regularly cleaned; providing sanitation facilities; regular training on drug and substance abuse and adequate PPE for frontline healthcare staffs.

iii) Market place practices-

a) Responsible competition practice.

The Facility as an appendage of the County Government was declared a corruption free zone after engagement with the officers from the Ethics and Anticorruption Commission. The Facility advocates for fairness in the provision of its services to the public.

b) Responsible Supply chain and supplier relations

The Facility treats its own suppliers responsibly by honouring contracts and endeavouring to pay for goods and services received on time and also clearing debts owed to the suppliers.

c) Responsible marketing and advertisement

All advertisements of tenders for supply of goods and services for the Hospital are openly displayed in public. Similarly, advertisements for employment vacancies are publicly displayed.

d) Product stewardship

The Hospital has a padlocked complaints/suggestion box where those with complaints can anonymously register their complaints

e) Corporate Social Responsibility / Community Engagements

The Hospital partners with players mainly NGOs in the health sector carry out various outreach services. The facility partners with NGOs to provide medical camps for screening of patients. The Facilities also supports regular clinic for mothers and new-borns.


XI. Report of The Board of Management

The facility did not have a Board of Management in place during the period under review.

Auditors

The Auditor General is responsible for the statutory audit of Madiany Subcounty Level 4 Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



18 JUL 2024

Dr. Josephine A. Nyasoro.
Medical Superintendent.

XII. Statement of Board of Management’s Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of Madiany Sub-county Hospital (here in after referred to as the Hospital), which give a true and fair view of the state of affairs of the Hospital at the end of the financial year/period and the operating results of the Facility for that year/period. The Board of Management is also required to ensure that the Facility keeps proper accounting records which disclose with reasonable accuracy the financial position of the Facility. The council members are also responsible for safeguarding the assets of the Facility.

The Board of Management is responsible for the preparation and presentation of the Hospital’s financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year (period) 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 Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.


The Board of Management accepts responsibility for the Hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the PFM County Government Regulations, 2015. The Board members are of the opinion that the Facility’s financial statements give a true and fair view of the state of Facility’s transactions during the financial year ended June 30, 2022, and of the Hospital’s financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Hospital, which have been relied upon in the preparation of the hospital’s financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

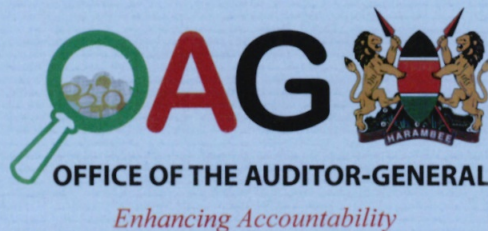
The Hospital’s financial statements were approved by the Board on _____ and signed on its behalf by:

.....
Name:
Chairperson
Board of Management


.....
Name: DR- NYASORO J. A.
Accounting Officer

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON MADIANY SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF SIAYA

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Madiany subcounty Level 4 Hospital - County Government of Siaya set out on pages 1 to 30, which comprise of the

Report of the Auditor-General on Madiany Sub-County Level 4 Hospital for the year ended 30 June, 2022 - County Government of Siaya

statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Misstatement of Rendering of Services Income

The statement of financial performance reflects revenue from exchange transaction of Kshs.13,777,591 while the supporting schedule provided reflects an amount of Kshs.13,317,791 resulting in an unreconciled variance of Kshs.459,800.

In the circumstances, the accuracy and completeness of income from rendering of services-medical services of Kshs.13,777,591 could not be confirmed.

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

The statement of financial performance reflects Kshs.3,813,278 for casuals and contractual staff as disclosed in Note 9 to the financial statements. The Hospital received services from fifty-nine (59) medical staff employed and paid by the county. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit verification.

In the circumstances, the accuracy and completeness of employee costs of Kshs.3,813,278 could not be confirmed.

3. Variance in Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.5,546,337 as disclosed in Note 16 to the financial statements. The balance includes Kshs.679,520 owed to Kenya Medical Supplies Authority (KEMSA) while KEMSA records reflect Kshs.660,000 resulting to an unexplained variance of Kshs.19,520.

In the circumstances, the accuracy and completeness of the trade payable balance of Kshs.679,520 could not be confirmed.

4. Non-Disclosure of Property, Plant and Equipment

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

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

5. Non-Disclosure of Donated Drugs

The statement of financial performance reflects a Nil amount on grants from donors and development partners as reported in the financial statements. However, distribution data from Kenya Medical Supplies Authority (KEMSA) revealed that the Hospital received donations and program commodities drugs amounting to Kshs.32,300,315 and Universal Health Coverage of Kshs.1,760,805 but were not disclosed in the financial statements.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable of Kshs.16,000,000 and Kshs.12,315,636 respectively resulting to an under-funding of Kshs.3,684,364 or 23% of the budget. However, the Hospital spent Kshs.9,593,577 against actual receipts of Kshs.12,315,636 resulting to an under-utilization of Kshs.2,722,059 or 28% of the actual receipts.

Further, the statement of comparison of budget and actual amounts reflects an amount of Kshs.16,000,000 and Kshs.13,900,000 in respect to budgeted receipts and expenditure respectively. This resulted to under budgeting of expenditures by Kshs.2,100,000.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of an Approved Budget

The statement of comparison of budget and actual amounts reflects budgeted revenue of Kshs.16,000,000 and budgeted expenditure of Kshs.13,900,000 against actual amounts of Kshs.12,315,636 and Kshs.9,593,577 for revenue and actual expenditure respectively. However, the approved budget was not provided for audit. This is contrary to Section 28(1) and (2)(b) of the Siaya County Health Services Act, 2019 which states that each county health facility established under section 10 shall be a planning unit and each planning unit shall prepare annual budgetary estimates.

In the circumstances, Management was in breach of the law and regularity of the expenditure could not be confirmed.

2. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits of eighty (81) staff requirements or 80% of the authorized establishment.

Personnel	Level 4 Hospital Standard	Actual Numbers in Hospital	Deficit	Percentage (%)
Medical Officers	16	1	15	94
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100

Personnel	Level 4 Hospital Standard	Actual Numbers in Hospital	Deficit	Percentage (%)
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	19	56	75
Total	101	20	81	80

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

Equipment/Machine	Level 4 Hospital Standard	Actual Numbers in Hospital	Deficit	Percentage (%)
Bed Capacity	150	49	101	67
Incubators (Newborn)	5	4	1	20
Cots	5	0	5	100
Resuscitaire in Theatre	1	2	-	-
Resuscitaire in Labour Ward	2	1	-	-
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Functional Operating Theatres - Maternity and General	2	0	2	100

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

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

3. Lack of a Procurement Unit and Procurement Plan

Review of records revealed that the Hospital did not have a procurement unit within the facility and a procurement plan to guide its procurement activities during the year. This is contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015, which states that an accounting officer shall prepare an annual procurement plan. Additionally, Regulation 33 (1)(2) of the Public Procurement and Asset Disposal Regulations, 2020 requires that a procuring entity establish a procurement function in accordance with Section 47 of the Act.

In the circumstances, Management was in breach of the law and value for money on procurements could not be confirmed.

4. Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects rendering services - medical services income of Kshs.13,777,591 as disclosed in Note 7 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of Public Finance and Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

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

The audit was conducted in accordance with ISSAI 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Policy Documents

Review of the documents and records of Hospital revealed that it does not have in place a strategic plan, operational plan, risk management policy, disaster management and recovery policy, ICT Policy and finance policy among others.

In the circumstances, the effectiveness of systems in place to detect and prevent risks as well as internal controls could not be confirmed.

2. Lack of a Board of Management

During the year under audit, the Hospital did not have Board of Management that is supposed to direct it in achieving its strategic objectives. This is contrary to Section 12(1) of the Siaya County Health Services Act, 2019 which requires that a county referral and a sub county hospital shall be governed by a Board.

In the circumstances, the Hospital will not achieve its strategic objectives.

3. Lack of Internal Audit Unit and Audit Committee

The Hospital had not established an audit committee and internal audit function. This is contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to establish audit committees in accordance with prescribed regulations to monitor the entities governance process, accountability process and control systems, offer objective advice on issues concerning risk, control, regulatory requirements and governance.

In the circumstances, the effectiveness of internal controls and risk management systems could not be confirmed.

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

Responsibilities of Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 July, 2024

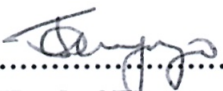
Madiany Subcounty Level 4 Hospital (County Government of Siaya)
Annual Report and Financial Statements for The Year Ended 30th June 2022

XIV. Statement of Financial Performance for The Year Ended 30th June 2022

Description	Notes	2021/22 Kshs	2020/21 Kshs
Revenue from non-exchange transactions			
In-kind contributions from the County Government	6	3,445,176	0
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	13,777,591	0
Revenue from exchange transactions		13,777,591	0
Total revenue		17,222,767	0
Expenses			
Medical/Clinical costs	8	3,216,197	0
Employee costs	9	3,813,278	0
Repairs and maintenance	10	729,364	0
Grants and subsidies	11	1,898,430	0
General expenses	12	3,381,484	0
Total expenses		13,038,753	0
Other gains/(losses)			
Net Surplus for the year		4,184,014	0

The Hospital's financial statements were approved by the Board on 18/7/24 and signed on its behalf by:

.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No: 8184


.....
Medical Superintendent

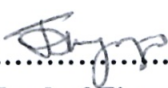
*Madiany Subcounty Level 4 Hospital (County Government of Siaya)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

XV. Statement of Financial Position as of 30th June 2022

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	2,722,059	0
Receivables from exchange transactions	14	1,461,955	0
Inventories	15	5,546,337	0
Total Current Assets		9,730,351	0
Non-current assets			
Property, plant, and equipment		0	0
Total Non-current Assets		0	0
Total assets		9,730,351	0
Liabilities			
Current liabilities			
Trade and other payables	16	5,546,337	0
Total Current Liabilities		5,546,337	0
Non-current liabilities			
Provisions			0
Total Non-current liabilities		5,546,337	0
Total Liabilities		5,546,337	0
		0	
Net assets		4,184,014	
Accumulated surplus/Deficit		4,184,014	0
Total Net Assets and Liabilities		4,184,014	0

The Hospital's financial statements were approved by the Board on 18/7/24 and signed on its behalf by:

.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No: 5184


.....
Medical Superintendent

Madiany Subcounty Level 4 Hospital (County Government of Siaya)
Annual Report and Financial Statements for The Year Ended 30th June 2022

XVI. Statement of Changes in Net Asset for The Year Ended 30th June 2022

	Revaluation reserve	Accumulated surplus/Deficit	Capital	Total
As at July 1, 2020	0	0	0	0
Revaluation gain	0	0	0	0
Surplus/(deficit) for the year	0	0	0	0
Capital/Development grants	0	0	0	0
As at June 30, 2021	0	0	0	0
At July 1, 2021	0	0	0	0
Revaluation gain	0	0	0	0
Surplus/(deficit) for the year	0	4,184,014	0	4,184,014
Capital/Development grants	0	0	0	0
At June 30, 2022	0	4,184,014	0	4,184,014

The Hospital's financial statements were approved by the Board on 18/7/22 and signed on its behalf by:

.....
 ..
Chairman
Board of Management

.....
 ..
Head of Finance
 ICPAK No: 8184

.....
 ..
Medical Superintendent

Madiany Subcounty Level 4 Hospital (County Government of Siaya)
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Statement of Cash Flows for The Year Ended 30th June 2022

Description		2021/22	2020/21
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income		12,315,636	0
Total Receipts		12,315,636	0
Payments			
Medical/Clinical costs	8	3,216,197	0
Employee costs	9	368,102	0
Repairs and maintenance	10	729,364	0
Grants and subsidies	11	1,898,430	0
General expenses	12	3,381,484	0
Total Payments		9,593,577	0
Net cash flows from operating activities		2,722,059	0
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		0	0
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Proceeds from borrowings		0	0
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		0	0
Cash and cash equivalents at 1 July 2021	14	0	0
Cash and cash equivalents at 30 June 2022		2,722,059	0

The notes set out on pages 6 to 29 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 18/7/22 and signed on its behalf by:

.....
Chairman
Board of Management

.....
Head of Finance
ICPAK No: 8184

.....
Medical Superintendent

XVIII. 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
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Rendering of services- Medical Service Income	16,000,000	0	16,000,000	12,315,636	3,684,364	77
Total income	16,000,000	0	16,000,000	12,315,636	3,684,364	77
Expenses						
Medical/Clinical costs	4,000,000	0	4,000,000	3,216,197	783,803	80
Employee costs	500,000	0	500,000	368,102	131,898	74
Repairs and maintenance	1,200,000	0	1,200,000	729,364	470,636	61
Grants and subsidies	4,000,000	0	4,000,000	1,898,430	2,101,570	47
General expenses	4,200,000	0	4,200,000	3,381,484	818,516	81
Total Expenses	13,900,000	0	13,900,000	9,593,577	4,306,423	
Surplus for the period	2,100,000	0	2,100,000	2,722,059	-622,059	

Variance explanation

1. The budget for income from rendering of medical services was overstated and as such was not achieved
2. Not all grants were transferred to Siaya County Revenue operations account due to pressing needs at the facility
3. Some maintenance works were not carried out due to limited funds

.....
Chairman
Board of Management

.....
Head of Finance
ICPAK No: 8184

.....
Medical Superintendent

XIX. Notes To the Financial Statements

1. General Information

Madiany Sub-county Hospital is established by and derives its authority and accountability from Health Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of quality health care.

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 Madiany Sub-county Hospital 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 the PFM County Government Regulations 2015, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

**Madiany Subcounty Level 4 Hospital (County Government of Siaya)
Annual Report and Financial Statements for The Year Ended 30th June 2022**

Notes to the Financial Statements (Continued)

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

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

*Madiany Subcounty Level 4 Hospital (County Government of Siaya)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

	<p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees</p>

**Madiany Subcounty Level 4 Hospital (County Government of Siaya)
Annual Report and Financial Statements for The Year Ended 30th June 2022**

	<p>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 cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st 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 xx/xx

4. Summary Of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

Notes to the Financial Statements (Continued)

b) Budget information

The original budget plan for FY 2021/2022 was approved by Health Management Team on **30.06.2021**. 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. The hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

Notes to the Financial Statements (Continued)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

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

e) Property, plant and equipment

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

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

Notes to the Financial Statements (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

Notes to the Financial Statements (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments

or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Notes to the Financial Statements (Continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by 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)

Financial liabilities

Initial recognition and measurement

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

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

Notes to the Financial Statements (Continued)

Loans and borrowing

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

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

Notes to the Financial Statements (Continued)

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.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the

current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Notes to the Financial Statements (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

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

Notes to the Financial Statements (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

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

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

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Notes to the Financial Statements

6. In Kind Contributions from The County Government

Description	2021/22	2020/21
Salaries and wages	3,445,176	0
Total grants in kind	3,445,176	0

7. Rendering of Services-Medical Service Income

Description	2021/22	2020/21
	KShs	KShs
Pharmaceuticals	908,143	0
Laboratory	1,193,445	0
Records	417,336	0
Inpatient	1,006,199	0
Eye	21,688	0
OPD	76,828	0
Physio	144,270	0
Nutrition service	9,286	0
Morgue	1,447,000	0
Other medical services income (NHIF & LINDA MAMA)	8,553,396	0
Total revenue from the rendering of services	13,777,591	0

8. Medical/ Clinical Costs

Description	2021/22	2020/21
	KShs	KShs
Laboratory chemicals and reagents	146,000	0
Food and Ration	1,593,107	0
Dressing and Non-Pharmaceuticals	242,400	0
Pharmaceutical supplies	984,190	0
Sanitary and cleansing Materials	32,400	0
Purchase of Medical gases	218,100	0
Total medical/ clinical costs	3,216,197	0

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Notes to the Financial Statements (Continued)

9. Employee Costs

Description	2022/23	2021/22
	KShs	KShs
Salaries, wages, and allowances	3,813,278	0
Contributions to pension schemes	0	0
Service gratuity	0	0
Performance and other bonuses	0	0
Staff medical expenses and Insurance cover	0	0
Group personal accident insurance and WIBA	0	0
Social contribution	0	0
Other employee costs (<i>specify</i>)	-	-
Employee costs	3,813,278	0

10. Repairs and Maintenance

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings	579,364	0
Office equipment	150,000	0
Total repairs and maintenance	729,364	0

11. Grants And Subsidies

Description	2021/22	2020/21
	KShs	KShs
Other grants and subsidies (Transfer 25%)	1,898,430	0
Total grants and subsidies	1,898,430	0

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Notes to the Financial Statements (Continued)

12. General Expenses

Description	2021/22	2020/21
	KShs	KShs
Bank charges	22,594	0
Electricity expenses	894,180	0
Refined fuel	321,610	0
Travel and accommodation allowance	697,300	0
Courier and postal services	28,350	0
Printing and stationery	435,900	0
Purchase of household appliances	470,000	0
Water and sewerage costs	191,150	0
Telephone and mobile phone services	220,400	0
Staff training and development	100,000	0
Total General Expenses	3,381,484	0

13. Cash And Cash Equivalents

Description	2021/22	2020/21
	KShs	KShs
Current accounts	2,722,059	-
Total cash and cash equivalents	2,722,059	-

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

Description		2021/22	2020/21
Financial institution	Account number	KShs	KShs
a) Current account			
Cooperative Bank	114162336100	2,719,817	0
Cooperative Bank	114123361102	2,242	0
Sub- total		2,722,059	0
Grand total		2,722,059	0

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Notes to the Financial Statements (Continued)

14. Receivables From Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables	1,461,955	0
Total receivables	1,461,955	0

15. Inventories

Description	2021/22	2020/21
	KShs	KShs
Pharmaceutical supplies	5,546,337	0
Total	5,546,337	0

16. Trade And Other Payables

Description	2021/22	2020/21
	KShs	KShs
Trade payables	5,546,337	0
Total trade and other payables	5,546,337	0

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Notes to the Financial Statements (Continued)

17. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Receivables from exchange transactions	1,461,955	-	-	-
Receivables from –non-exchange transactions	0	-	-	-
Bank balances	2,722,059	-	-	-
Total	4,184,014	-	-	-

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Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has no significant concentration of credit risk

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables			5,546,337	5,546,337
Total			5,546,337	5,546,337
At 30 June 2022				
Trade payables			5,546,337	5,546,337
Total			5,546,337	5,546,337

Notes to the Financial Statements (Continued)

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the way it manages and measures the risk.

Notes to the Financial Statements (Continued)

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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

Foreign currency sensitivity analysis

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

Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This

exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iv) Capital Risk Management

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

18. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) The County Government of Siaya
- iv) The Department of Health
- v) Key management;
- vi) Board of directors;

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Notes to the Financial Statements (Continued)

19. Segment Information

The hospital has no branches in other geographical regions.

20. Contingent Liabilities

There are no court cases against the hospital.

21. Capital Commitments

The Hospital did not have capital Commitments during the period under review

22. Events After The Reporting Period

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

23. Ultimate And Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Health. Its ultimate parent is the Government of Kenya.

24. Currency

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

XX. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

There was no previous year's auditor recommendation as this is the first audit.


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Accounting Officer