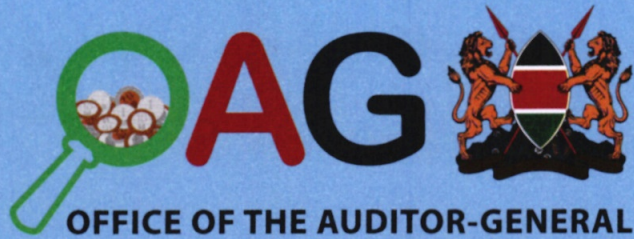


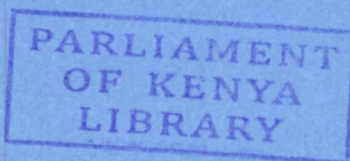
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PAPERS LAID



OF

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THE AUDITOR-GENERAL

ON

RACHUONYO COUNTY HOSPITAL

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

COUNTY GOVERNMENT OF HOMA BAY

I.



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

14 JUN 2024

RECEIVED

RACHUONYO COUNTY HOSPITAL

(Homa Bay County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

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II. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
NBV	Net Book Value
ALOS	Average Length of Stay
ECL	Expected Credit Loss
HERT	Hospital Emergency Response Team

III. Key Entity Information and Management

Background information

Rachuonyo County Hospital is a level (4) hospital established under gazette notice number 786 and is domiciled in Homa Bay County under the Department of Public Health and Medical Services. The hospital is governed by a Board of Management.

Principal Activities

The principal activity/mission/ mandate of the hospital is to;

- i. Provide affordable and accessible universal health coverage
- ii. To modernize infrastructure, machinery and equipment
- iii. To attain financial stability
- iv. To strengthen human resource capability
- v. To develop facility health management information system

Vision

To offer high quality and integrated medical care services that are affordable and accessible.

Mission

To be a well-established institution offering high quality efficient integrated medical care services and training of competent health care workers.

Mandate

To provide conducive environment that enhance active participation in the provision of high-quality medical care services.

Key Management

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

- County Department of Public Health and Medical Services
- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Management Team

Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Bonface Musundi Oganyo
2.	Health Administrative Officer	Edmond Onditi Awuor
3.	Director Nursing Services	Lynet Atieno John
4.	Head of Finance/Accountant	Austine Ochieng Odhiambo
5.	Clinical Officer in-charge	Mrs Irine Rapondi
6.	Laboratory Manager	Mr Reuben Okoth
7.	Pharmacist in-Charge	Dr Winnie Wango
8.	Radiographer	Mr. Caleb Ogweche
9.	Human Resource Management	Mrs Pamela Okundi

Fiduciary Oversight Arrangements

Increasingly, hospitals and health systems, along with the individuals serving on their committees and governing boards, are seeing the need for prudent oversight of their committees and governing boards, are seeing the need for prudent oversight of their organizations. Due to a rising number of lawsuits, trustees need to ensure that their organizations are taking proactive steps to protect their organizations and themselves. Rachuonyo County Hospital, being a government entity has formed various committee to ensure robust fiduciary oversight.

I. Quality Improvement Team

Quality Improvement Team is a team taking lead to implement quality improvement activities. Group of multi skilled employee charged with responsibilities of improving processes or services. The team include top and middle management members to coordinate initial planning and implementation.

II. Emergency Response Team

Hospital Emergency Response Teams (HERT) is comprised of multi disciplines and specialties that activate and respond during emergencies. The team is responsible for security of the hospital facility and grounds. Registration, patient tracking, triage, treatment, decontamination, detection & monitoring and movement of patients into the facility or on to other definitive medical care.

III. Medicines and therapeutic Committee

The medicines and therapeutic committee (MTC) is a multidisciplinary committee responsible for overseeing policies and procedures related to all aspects of medicines and other HPT use. Medicines and therapeutic committees (MTCs) is informed in the hospital to improve prescribing and dispensing processes of medicines. Its importance appears in different aspects such as drug selection process, cost-effectiveness, and control of drug losses. Altogether, MTCs have shown an important role in promoting, controlling and educating activities of rational drug use. This is mostly manifested in demonstrating how the presence MTCs in the hospitals would improve patient's health outcomes and decrease overall drug expenditures.

IV. Billing and waiver Committee

The billing and waiver committee is responsible for tracking patient bills to ensure that correct bills are paid and those unable to pay are waived in line with the government policy.

V. Maternal and Perinatal Death and Surveillance Response (MPDSR)

MPDSR is a committee that ensures that deaths of mothers or babies during pregnancy, childbirth and post-natal period are notified, information is collected, causes reviewed and responses identified to prevent unnecessary deaths in future. The members are;

VI. Hospital Management Committee

Oversight roles and resource mobilization to the facility.

VII. Hospital Management Team

Runs the facility through ensuring that all procedures are adhered to through monthly HMT meetings.

VIII. Hospital Finance Committee

Goes through departmental budget proposals and ensure the allocations are done putting into consideration priorities.

Key Entity Information and Management (continued)

(a) Entity Headquarters

P.O. Box 469-40300
Homa Bay, KENYA

Telephone: (+254) 2038617565/55

E-mail: governorsofficehomabaycounty@gmail.com

Website: [www.Homa Bay.go.ke](http://www.HomaBay.go.ke)

Entity's Contacts

P.O. BOX 42-40222
Rachuonyo County Hospital Building
Oyugis-Kendu Bay Road
Oyugis, Kenya.

Telephone: (+254)716851778

Email: med.supt.rdh@gmail.com

(b) Entity Bankers

Co-operative Bank of Kenya
Co-operative House
Moi Avenue,
P.O. Box 30084-00100
Nairobi, Kenya

(c) Independent Auditors

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

(d) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112

City Square 00200
Nairobi, Kenya

(e) County Attorney

P.O. Box 469-40300
Homa Bay Kenya.

IV. The Board of Management

Ref	Directors	Details
1.	Hon. Christopher Mbata	Chairperson of The Board.
2.	Dr. Joash Aloo	A seasoned administrator and currently the Principal at Kabianga High School.
3.	Pst. Nick Nyakado	Member of the Board representing the Faith Based Organizations.
4.	Mrs. Alice Odhiambo	Seasoned Administrator spanning many years in the public service. She is currently the Sub County administrator, Rachuonyo South.
5.	Mrs. Jackline Olga Oloo	Board Member
6.	Mrs. Prisca Opiyo	Board Member
7.	Mr. Thomas Okeyo Omwoyo	Board Member
8.	Dr. Bonface Musundi Oganyo	Medical Superintendent of the Hospital
9.	Beatrice Atieno Onditi Secretary	A member of the Kenya National Secretaries Association

V. Key Management Team

Ref	Management	Details	Images
1.	Medical Superintendent	Dr. Bonface Musundi Oganyo Medical Superintendent & HMT Chairperson	
2.	Edmond Onditi Awuor	Health Administrative Officer	
3.	Lynet Atieno John	Director Nursing Services	

Rachuonyo County Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

4.	Austine Ochieng Odhiambo	Head of finance/Accountant	
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VI. Chairman's Statement

It is my pleasure to present to you the Annual Report and Financial Statements of Rachuonyo County Hospital for the financial year ended 30 June 2023. The Board of Management is proud of the achievements realized in the hospital in this period towards "Offering high quality and integrated medical care services that are affordable and accessible." Considering the scale and complexity of operations of this second largest hospital in Homa Bay County, I am particularly impressed by the "can do attitude" of staff coupled with their commitment to delivering the best possible service to patients.

Regulatory Environment

Management and operations of the hospital is guided by the existing legal, policy and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the hospital. The Kenyan Constitution 2010 under the Bill of Rights provides the right to the highest attainable standard of health including reproductive health care and emergency medical treatment.

In addition, the Health Act 2016 establishes a unified health system that coordinates the inter-relationship between the national government and county government health systems, provides for regulation of health care services and health care service providers, health products and health technologies for connected purposes. It also provides for Health Financing; Research; E-health; Human Organs and tissue transplant; Traditional and alternative medicine; Mental; Environmental and Public Health; Standards of Health; Reproductive Health and Emergency treatment. With this in mind, and the strategic placement of Rachuonyo County Hospital in the Health Sector, the Board is committed to ensure continued quality service delivery to the citizens.

Sector Alignment

At the National Level, universal healthcare (UHC) is one the big four agenda. The agenda aims to provide affordable healthcare for all households through NHIF Scheme. The Kenya Vision 2030 aims at creating a globally competitive and prosperous country by providing a high quality of life for all her citizens. Under the social pillar, the overall goal of the Health Sector is to provide equitable, affordable and quality healthcare to all citizens.

Acknowledgment

On behalf of the Board, I would like to thank all our stakeholders especially the County Government of Homa Bay, Ministry of Health, National Hospital Insurance Fund and development partners for the support they continue to accord the hospital without which our achievements would not have been realised. As we move into a new year, I would like to express my gratitude to Rachuonyo County Hospital staff, specialists, team leaders and the Board, who take such pride in their work, and who exemplify our hospital's mission and values each day. Finally, I strongly believe that our strategy and the staff in place will consistently drive our growth in the future, as has been the case over the years.

.....
Hon. Christopher Mbata
Chairperson- RCH Board of Management

VII. Report of The Medical Superintendent/ Chief Executive Officer

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

Operational Performance

The hospital provides specialized healthcare services. To meet our patients' needs, we have specialists in surgical and gynecology disciplines of medical practice who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centered services. In 2023 the hospital attended to 7,110 patients of whom 1,230 were inpatients. This was an increase of 4% outpatients and 5% inpatients attendance in comparison to the previous financial year. During the year, the surgical team successfully demonstrated clinical effectiveness by reduction of mortality rate.

Financial Review

In order to meet the cost of operations and maintenance, the hospital relies on internally generated revenue, the largest component being cost-sharing revenue. During the year under review, the hospital generated Kshs. 72,103,156 against a target of Kshs. 80,350,500. This is an increase of 265.1% above the previous year's internally generated revenue.



Dr. Bonface Musundi Oganyo

Medical Superintendent



VIII. Statement of Performance Against Predetermined Objectives

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

Rachuonyo County Hospital has Five Objectives within the current CIDP of the Homa Bay County Government they are as follows;

OBJECTIVES;

1. To offer quality healthcare services under one roof in a most effective and efficient for the satisfaction of the customer.
2. Modernize infrastructure machinery and equipment.
3. To attain financial sustainability
4. To strengthen the human resource capacity.
5. To develop the facility health management information system.

Rachuonyo County Hospital develops its annual work plans based on the above 5 objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The County Hospital achieved its performance targets set for the FY 2022/2023 period for its strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar- To Provide Integrated Accessible and Quality Healthcare Services Through Effective and Efficient Infrastructure,	1. To offer quality Health Services under one roof in a most effective and efficient to the	-To reduce referrals to other facilities. -To diversify range of services offered by RCH.	-Establish quality healthcare standards. (accreditation) -Strengthen client follow up mechanism	-Improved quality of healthcare. -Expanded client base. -Improved facility reputation. - Strengthened

Training Research and Partnership.	satisfaction of the customer. 2. Modernise infrastructure, machinery and equipment	-To fast-track efficiency and staff satisfaction with modern facility. -To develop an infrastructure master plan. -Fully equip the facility.	and systems (Referral clinics established). -Strengthen partnership with communities, public and private sectors. -Initiate provider driven insurance. -To develop a master plan. -Obtain equipment and maintain through the MESS program.	partnership with communities, public and private sector. -Investor identified by the county government to help with development of master plan. MESS programme under the National Government operation.
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	3. To attain financial sustainability	-Cost rationalization. Institutionalize resource mobilization. -Enhance internal control mechanism. -Diversification of revenue generation streams.	Conduct market survey for costing of commodities during the tendering process. -Incorporating various modes of revenue generation cash, N.H.I.F, BORESHA, Edu Afya. -Upgrade health instruction software to improve internal control and hence revenue collection. Keep staff informed of any	-All our clients are able to receive services irrespective of mode of healthcare financing.
	4. To strengthen the human resource capacity.	-Staff retention. Full potential and optimal utilization of staff.		Improved service delivery.

		-To enhance Hospital performance by training and motivation of staff. -Upscale leadership and management for increased performances. -Focus on partnership with other Health Service Providers for technical support. -Up scaling quick and efficient service delivery. -ICT systems in place. -Build staff ICT capacity.	development in the hospital through circulars and holding regular meetings. Holding weekly continuous medical education. Staff appraisal system in place. Collaborating with external Orthopaedic surgeons for provision of Orthopaedic services. -Upgrade ICT systems. -Build staff ICT capacity by training.	Improved staff retention. -Efficient data collection, management and dissemination.
	To develop facility Health Management Information System.			

		-Improve access to ICT materials.	-Improve access to ICT materials.	-Improved diagnosis and treatment. -Improved access to relevant health infrastructur e and data.
--	--	--	--	---

IX. Corporate Governance Statement

The Rachuonyo County Hospital Board of management has responsibilities, Functions, structures and ethical conduct. In addition to this, their major priority is ensuring excellent service delivery to patients and general members of the public and residents of the community.

X. Management Discussion and Analysis

The management used tables to make the information as understandable as possible. The information does show a trend for the previous year because this is the second time the hospital is preparing a financial report.

Clinical Performance

Rachuonyo County Hospital continues to provide a wide range of highly specialized healthcare services to Kenyans, patients from Homabay County and across the counties. Specialized services include, specialized outpatient clinics, inpatient care, day care procedures for surgery, ENT, ophthalmology, dental amongst other services. The hospital also provides clinical support services that include laboratory, pharmacy and radiology.

Overall patient attendance

The average monthly patient attendance for the year 2022/2023 was 1,529 out patients and 1,630 in-patients. There was an increment in the outpatient attendance of 11.6% and 24.40% in the in-patients in the year 2021/2022. This is attributed to continuous stocking of commodities and the presence of healthcare workers in the hospital.

Average Length of Stay

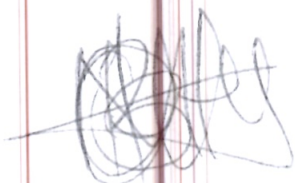
The average length of stay (ALOS) is an indicator of efficiency in the provision of inpatient health care in the hospital. Generally, the average length of stay in the hospital has been falling (between 2021/22 to 2022/23).

Bed occupancy rate.

In the year 2021/22, the bed occupancy rate averaged 92%. This was attributed to the specialized and quality healthcare services offered in the hospital that attracts clients from across the region and beyond. The other side of this is overstretching of the hospital facilities and congestion of patients in the wards. It is notable that there was an increase in FY 2022/23 because of continuous presence of drugs and other essential commodities for use in the hospital.

Mortality Rate

During the period under review, the death rate averaged 10.7%. This is attributed to the critically ill patients referred to and managed in the hospital.



Dr. Bonface Musundi Oganyo



Medical Superintendent

XI. Environmental And Sustainability Reporting

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

Sustainability strategy and profile

The top management especially the accounting officer refers to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

i) Environmental performance

The organization has environmental policy in the county environment department guiding the organisation. The hospital also manages its waste within the facility through public health in collaboration with department of environment. The during the year the facility has did maintenance for the existing incinerator.

ii) Employee welfare

The hospital implements policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. It also ensures that employees are supported in improving skills and managing careers, appraisal and reward systems. The organisation has in place policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iii) Market place practices-

a) Responsible competition practice.

The organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors by competitively awarding contract.

b) Responsible Supply chain and supplier relations

The management maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

The hospital maintains ethical marketing practices.

Policy guiding hiring process

Every department prepares Human Resource Plans to support achievement of goals and objectives in their strategic plans. The plans are based on comprehensive job analysis and are reviewed every year to address emerging issues and staffing needs.

On the basis of these Human resource plans, departments develop annual recruitment plans which is forwarded to the County Public Service Board at the beginning of each financial year to enable it plan to fill vacancies.

Departments through the County Public Service Board will advertise all vacant posts in a manner that reaches the widest pool of potential applicants.

Recruitment is undertaken on the basis of fair competition and merit, representation of Kenyans diverse communities, adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities.

Efforts made in improving skills and managing careers

Training and capacity building in the County's Public Service is key towards improving skills and managing career progression.

Training Needs Assessment is a performance audit that generates and provides information to assess the inadequacy of knowledge and skills which inhibits an organisation from attaining its objectives.

Training in the County's Public Service is based on Training Needs Assessment which are conducted in each department.

Departments are required to prepare training projections based on Training Needs Assessment to guide in the nomination of officers for training.

Selection of trainees for all training programmes are based on identified needs and normally emphasises on training for performance improvement.

Training programmes comprise both short- and long-term courses in specific professions that are intended to impart required knowledge, skills and attitudes to enhance staff performance.

The County continually develops its employee's professional knowledge and skills and encourage them to join relevant professional bodies. The County establishes mechanisms for supporting employees where the career guidelines require them to be members of a professional body.

For new staff who have joined the County, Induction Training is expected to help them familiarise with the work environment and requirements. Departments are expected to conduct induction training within

three (3) months for newly recruited officers and those joining the departments on transfers, promotions and re-designation.

Appraisal and reward system

Staff Performance Appraisal System is predicated upon the principles of work planning, setting of agreed performance targets, feedback and reporting. Appraisal systems is also linked to other human resource systems and processes including staff development, career progression, placement, rewards and sanctions.

Prior to the beginning of the performance appraisal period, departments prepare work plans based on their strategic plans. The departments work plans includes the departmental priorities objectives from which individual performance targets will be derived.

Employee's individual work plans will be derived from the departmental work plans and officers job description.

The appraisals period covers one (1) year starting 1st July to 30th June of the following year. The performance appraisal reflects the summation of the year's performance including quarterly and mid-year reviews.

Reward System

Exemplary performance is rewarded through incentives, promotions, recognition of major improvements, training.

Policy on safety and compliance with occupational safety and health Act of 2007, (OSHA)

Employees are protected from accidents and occupational hazards arising at the work place. Measures to prevent and mitigate against accidents at work place, explosions, fire, floods, earthquakes, both threats. Through provision of First aid kits, fire protection, firefighting and demonstration, providing fire assembly areas, emergency preparedness in such events.

- Fire protection and protection in buildings
- No hazardous or highly inflammable materials should be stored in buildings
- Firefighting equipment should be placed in strategic places
- Provision of protective equipment and clothing
- Medical examination
- Compensation of officers in case of injury at work

iv) Corporate Social Responsibility Statement

The hospital management has from time to time provided waiver to patients who are not able to pay hospital bills as well as mortuary bills based on investigations and report done by social services department as stated in the waiver policy.

Open days such as cancer screening days.

XII. Report of The Board of Management

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

a) Principal activities

The principal activities of the entity are (continue to be)

- i. Provide affordable and accessible universal health coverage
- ii. To modernize infrastructure, machinery and equipment
- iii. To attain financial sustainability
- iv. To strengthen human resource capability
- v. To develop facility health management information system

Results

The results of the entity for the year ended June 30, 2023 are set out on page 1-49

Board of Management

The members of the Board who served during the year are shown on page viii. During the year 2022/23 no board member retired/ resigned and none was appointed.

Auditors

The Auditor General is responsible for the statutory audit of the Rachuonyo County Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 nominated by

Rachuonyo County Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

the Auditor General to carry out the audit of the Rachuonyo County Hospital for the year ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on her behalf.

By Order of the Board



Dr. Bonface Musundi Oganyo



Secretary to the Board

XIII. 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 Rachuonyo County Hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year and the operating results of the hospital for that year. The Board of Management is also required to ensure that Rachuonyo County Hospital keeps proper accounting records, which disclose with reasonable accuracy the financial position of the hospital. The board members are also responsible for safeguarding the assets of the Rachuonyo County Hospital.

The Board of Management is responsible for the preparation and presentation of the hospital 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 ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the 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'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 Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of Rachuonyo County Hospital's transactions during the financial year ended June 30, 2023, 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.

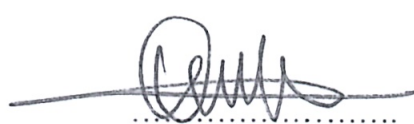
Approval of the financial statements

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


.....
Dr Bonface Mwangi Ogunyio
Medical Superintendent

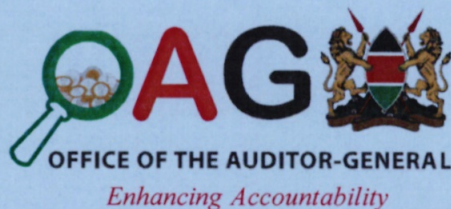



.....
Mr. Austine O. Ochieng
Accountant


.....
Hon. Christopher Mbata
Chairperson of the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON RACHUONYO COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF HOMA BAY

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 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 Rachuonyo County Hospital - County Government of Homa Bay set out on pages 26 to 70, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of

significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Rachuonyo County Hospital - County Government of Homa Bay as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, County Governments Act, 2012 and the Health Act, 2027.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

Review of financial statements revealed inaccuracies and anomalies as follows:-

- i. Casting of the total expenses for the prior year has been reported as Kshs.40,067,090 instead of Kshs.51,281,381 resulting to a variance of Kshs.11,214,291.
- ii. Cash and cash equivalents balance as at 30 June, 2023 is reported in the statement of cash flow as Kshs.281,426 varies with the balance disclosed in the statement of financial position of Kshs.181,426 resulting to unreconciled variance of Kshs.100,000.
- iii. Additionally, there were inconsistencies in the Notes to the financial statements in that they were not flowing in a chronological manner as is required in the approved financial reporting template.

2. Non-Disclosure of Donated Drugs

The statement of financial performance did not disclose receipts in form of 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.37,987,383 but were not disclosed in the financial statements.

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

3. Doubtful Ownership and Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects balances of Kshs.115,718,568 in respect to property, plant and equipment as disclosed in Note 20 to the financial statements. However, the value of the Hospital's land was not included in this amount. Additionally,

the title deed of the Hospital land of approximately 2.4 Ha was in the name of South Nyanza County Council and not the facility.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.115,718,568 could not be confirmed.

4. Unconfirmed Inventory Balance

The statements of financial position reflect inventory balance of Kshs.2,121,422 as disclosed in Note 11 to the financial statements. However, there was no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2023.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.2,121,422 could not be confirmed.

5. Inaccuracies in Trade and Other Payables

The statement of financial position reflects the trade and other payables balance of Kshs.37,701,365 as disclosed in Note 12 to the financial statements. However, the balance does not include payments owed to Kenya Medical Supplies Authority (KEMSA) while KEMSA records reflect that the Hospital owes KEMSA Kshs.713,925.

In the circumstances, the accuracy and completeness of the trade payable balance of Kshs.713,925 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Rachuonyo County 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

Review of the Hospital's 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 by 35 staff requirements or 35 % of the authorized establishment. The deficiencies observed are as analyzed below;-

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	2	14	88
Anesthesiologists	2	0	2	100
General Surgeons	2	2	0	0
Gynaecologists	2	1	1	50
Paediatrics	2	1	1	50
Radiologists	2	3	1	50
Kenya Registered Community Health Nurses	75	57	18	24
Total	101	66	35	35

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	118	32	21
Resuscitaire (2 in Labor & 1 in theatre)	3	2	1	33
New Born Unit Incubators	5	3	2	40
New Born Unit Cots	5	0	5	100
Functional ICUBbeds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres - Maternity & General	2	1	1	50

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

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

2. Procurement Irregularities

Notes 2 and 6 to the financial statement indicates that the facility incurred a cost of Kshs.37,424,787 and Kshs.18,278,068 on use of goods cost and general expenses respectively. Included in these amounts are payments totalling Kshs.7,739,917 for the purchase of dressing and non-pharmaceuticals and Kshs.5,325,962 for General Office Expense, Printing and Stationery. The Hospital used Request for Quotation as a procurement method. However, review of the payment vouchers revealed that; the awards were not informed by a professional opinion in compliance with Regulation 91(4) of the Public Procurement and Asset Disposal Regulation, 2020, the request for quotation was not sent to at least three persons to ensure effective competition and the quotations were not evaluated by an Evaluation Committee.

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

3. Lack of Quarterly Revenue Reports

The statement of financial performance reflects Kshs.72,103,156 in relation to the rendering of services - medical income as disclosed in Note 1 to the financial statements. However, the Hospital did not provide evidence to show that reports were prepared and submitted the same to the County Treasury with a copy to the Auditor-General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

4. Failure to Dispose Unserviceable Assets

The statement of financial position reflects Kshs.115,718,568 balance on property, plant and equipment. However, field verification revealed that five (5) motor vehicles and four (4) motor cycles of unknown value that were unserviceable and had not been disposed. This was contrary to the Public Procurement and Asset Disposal Act, 2015 Section 164 (1) which states that the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the Disposal Committee through the Head of the Procurement Function.

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

5. Unutilized Medical Equipment

The statement of financial position reflects property, plant and equipment figure of Kshs.115,718,568 as disclosed in Note 20 to the financial statements. The amount includes Managed Equipment Services (MES) equipment outsourced by the Ministry of Health. However, physical verification in the month of May, 2024 revealed that the contracts between maintenance service providers and the Ministry had expired. Therefore, CR, C ARM and the Digital mobile x-ray machine were not functioning and had not been serviced as at the time of the audit.

In the circumstances, value for money in respect of Managed Equipment Services (MES) equipment could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 and 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 governance were not effective.

Basis for Conclusion

1. Pending NHIF Reimbursement Due to Revenue Collection Internal Control Weaknesses

According to the contract between NHIF and the Hospital for surgical benefits, the facility is required to seek pre-authorization on the reimbursable amounts prior to advancing surgical services to an NHIF beneficiary. The facility is then to place a claim based on the amounts that had been authorized by NHIF. Upon satisfying all the NHIF conditions and documentations, the claim is reimbursed. From the analysis of the claim payments by NHIF, it was noted that the facility was yet to receive claim payments totalling Kshs.1,830,000 from NHIF during the year under review. This was because the facility had not met some of the NHIF conditions and requirements despite having had obtained a pre-authorization and also rendered the surgical services to the patients.

In view of the above, the internal controls of the Hospital may not be effective and this may deny it of the much-needed revenue.

2. Inefficiency in Board Operations

The statement of financial performance reflects Board of Management Expenses of Kshs.596,350 as disclosed in Note 4 to the financial statements. Included in the amount is payment of Kshs.81,500 for Board sitting allowance for the meeting held on 22 September, 2022 and the payment of Kshs.75,000 for the meeting held on 29 September, 2022. It was however noted that:-

- The two meetings had the same agenda of approving Quarter 1 Budget. It was not clear why the Board approved the same budget in two consecutive meetings while the budget had not been revised.
- Management did not maintain a Board Register hence it was not possible to confirm the validity of the aforementioned meetings. Notices to board member for the meetings were not submitted.

In the circumstances, internal controls on Board operations were somehow ineffective.

3. Failure to Maintain Fixed Asset Register

The statement of financial position reflects balances of Kshs.115,718,568 in respect to property, plant and equipment as disclosed in Note 20 to the financial statements. However, it was noted that the Hospital does not maintain fixed asset register to control its assets. This is contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the fund has ever evaluated its assets to ascertain the correct market values.

In the circumstances, the existence of an effective mechanism to safeguard assets could not be confirmed and Management was in breach of the regulations.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 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 the 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors 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 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 the management.
- Conclude on the appropriateness of the 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 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

28 June, 2024

Rachuonyo County Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description	Notes	2022/2023	2021/2022
		Ksh	Ksh
Revenue from Non-Exchange Transactions			
In-Kind Contributions from the County Government	22	400,000	7,237,024
In-Kind Contributions from KMTC	22	70,000	-
Total Revenue from Non-Exchange Transactions		470,000	7,237,024
Revenue from Exchange Transactions			
Rendering of Services-Medical Services Income	1	72,103,156	8,698,177
Other Income		-	10,398,909
Total Revenue from Exchange Transactions		72,103,156	19,097,086
Total Revenue		72,573,156	26,334,110
Expenses			
Use of Goods and Services	2	37,424,787	14,025,316
Employee Costs	3	3,278,964	3,077,536
Board of Management Expenses	4	596,350	250,000
Depreciation and Amortization	21	17,978,437	20,492,421
Repairs and Maintenance	5	6,490,327	2,221,817
General Expenses	6	18,278,068	11,214,294
Total Expenses		84,046,933	40,067,090
Other Gains/(Losses)			
Waivers and Exemptions		-	(985,672)
Net Deficit for the year 2022/2023		(11,473,777)	(14,718,652)

Rachuonyo County Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

The Hospital's financial statements were approved by the Board on 13/06/2024 and signed on its behalf by:

.....
Hon. Christopher Mbata

Chairperson

.....
Mr. Austine O. Ochieng

Accountant In-Charge

.....
Dr. Musundi Oganyo

Medical Superintendent



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

Description	Notes	2022/2023	2021/2022
		Ksh	Ksh
Current Assets			
Cash and Cash Equivalents	7	181,426.00	445,401
Receivables from Exchange Transactions	10	6,919,085.00	2,694,802
Inventories	11	2,121,422.00	2,163,700
Total Current Assets		9,221,933.00	5,303,903
Non-Current Assets			
Property, Plant and Equipment	20	115,718,568.00	129,488,016
Intangible Assets	20	703,500.00	1,050,000
Total Non-Current Assets		116,422,068.00	130,538,016
Total Assets		125,644,001.00	135,841,919
Liabilities			
Short Term Liabilities			
Trade and Other Payables	12	37,701,365.00	21,051,043
Total Short Term Liabilities		37,701,365.00	21,051,043
Financed By:			
Net Assets			
Accumulated Surplus/(Deficit)	9	(26,170,917.11)	(14,697,140)
Capital Fund	9	114,113,553.11	129,488,016
Total Net Assets		87,942,636.00	114,790,876
Total Net Assets and Liabilities		125,644,001.00	135,841,919

The Hospital's financial statements were approved by the Board on 13/06/2024 and signed on its behalf by:

.....
Hon. Christopher Mbata
Chairman

Board of Management

.....
Mr. Austine O. Ochieng

Accountant In-Charge

.....
Dr. Musundi Oganyo

Medical Superintendent

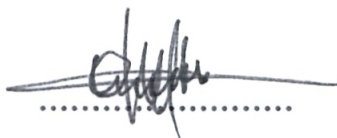


XVI. Statement of Changes in Net Asset for The Year Ended 30 June 2023

Description	Capital Fund	Accumulated Surplus/ (Deficit)	Total
	Ksh	Ksh	Ksh
Net Assets as at 1 July 2022	129,488,016	(14,697,140)	114,790,876
Deficit for the year 2022/2023	-	(11,473,777)	(11,473,777)
General Reserves	(15,374,463)	-	(15,374,463)
Net Assets as at 30 June 2023	114,113,553	(26,170,917)	87,942,636

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

.....
Hon. Christopher Mbata
Chairperson
Board of Management



Austine O. Ochieng
Accountant In-Charge



Dr. Musundi Oganyo
Medical Superintendent



Rachuonyo County Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description	Notes	2022/2023	2021/2022
		Ksh	Ksh
Cash flows from operating Activities			
Receipts			
Rendering of services-Medical Services Income-NHIF/FIF	24	69,806,275	7,237,024
Other Receipts		-	10,398,909
Total Cash Receipts		69,806,275	17,635,933
Cash Payments			
Use of Goods and Services	13	(32,773,172)	(7,811,390)
Employees Costs	14	(3,847,428)	(3,077,536)
Board of Management Expenses	15	(596,350)	(250,000)
Repairs and Maintenance	16	(4,939,755)	(2,221,817)
General Expenses	17	(13,357,195)	(3,749,301)
Cash Transfers	19	(11,675,970)	-
Total Cash Payments		(67,189,870)	(17,110,044)
Net Cash flow from operating activities		2,616,405	525,889
Cash flows from Investing Activities			
Purchase of Assets	18	(2,780,380)	(102,000)
Net Cash flows from Investing Activities		(2,780,380)	(102,000)
Net increase/ (decrease) in cash and cash equivalents		(163,975)	423,889
Cash and cash equivalents as at 1 July 2022		445,401	21,512
Cash and cash equivalents as at 30 June 2023		281,426	445,401

Rachuonyo County Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

The Hospital's Financial Statement were approved by the Board on 13/06/2024 and signed on its behalf;



.....
Hon. Christopher Mbata
Chairperson
Board of Management



.....
Austine O. Ochieng
Accountant In-Charge



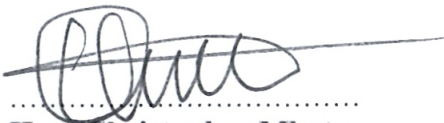
.....
Dr. Musundi Oganyo
Medical Superintendent



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

Description	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance Difference	% Utilization
	A	B	C=(A+B)	D	E=(C-D)	F=D/C%
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Revenue						
In-Kind Contributions	470,000		470,000	470,000	-	100
Rendering Services	80,350,500		80,350,500	72,103,156	8,247,344	90
Total Income	80,820,500		80,820,500	72,573,156	8,247,344	90
Expenditure						
Medical/ Clinical costs	37,300,000		37,300,000	37,424,787	(124,787)	100
Employees costs	3,500,500		3,500,500	3,278,964	221,536	94
Remuneration of Board Members	750,000		750,000	596,350	153,650	80
Repairs and maintenance	6,500,000		6,500,000	6,490,327	9,673	100
General expenses	25,470,000		25,470,000	18,278,068	7,191,932	72
Depreciation and Amortization	7,800,000		7,800,000	17,978,437	(10,178,437)	230
Total expenditure	81,320,500		81,320,500	84,046,933	(2,726,433)	103
Deficit for the period	(500,000)		(500,000)	(11,473,777)		

The Hospital's financial statements were approved by the Board on 13/06/2024 and signed on its behalf by;


.....
Hon. Christopher Mbata

**Chairperson
Board of Management**


.....
Austine O. Ochieng
Accountant In-Charge


.....
Dr. Musundi Oganyo
Medical Superintendent

XIX. Notes to the Financial Statements

1. General Information

Rachuonyo County Hospital entity is established by and derives its authority and accountability from County Government Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Provide affordable and accessible universal health coverage.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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.

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

Standard	Effective date and impact
IPSAS 41: Financial Instruments	Applicable: 1st January 2023 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: • 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.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting

Standard	Effective date and impact
	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: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.
Other improvements to IPSAS	Applicable 1st January 2023 • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i>

Standard	Effective date and impact
	Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023.

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

Standard	Effective date and impact
IPSAS 43	<i>Applicable 1st January 2025</i> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires: - i. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2022/23 was approved by Board on 03/03/2022. 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 entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

It's important to note that Plant, Property and Equipment recognized in this financial report include estimated values of the old buildings and actual cost of two buildings constructed in the recent past, depreciated at 2.5% and a photocopier acquired during the year at 33.3% The values of other equipment including land could not be ascertained, therefore not included in the financial statements. This is because most of the equipment were donated/ transferred by National Government. The management need time and other resources to carry out valuation of the other equipment, land and buildings. ICT and Medical equipment included were acquired prior to end of financial year therefore will be depreciated in the next year. The List of equipment attached;
annex vii

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. The intangible asset relates to upgraded of the software (Hospital Information Management System) which is a work in progress and has been partially paid. No amortization has been provided because it is still work in progress.

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

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

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

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

p. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

q. Employee benefits

Retirement benefit plans

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

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

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

Notes to the Financial Statements (Continued)

u. Service concession arrangements

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

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

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

Notes to Financial Statements

1. Rendering of Services-Medical Services Income

Description	2022/2023	2021/2022
	Ksh	Ksh
Pharmaceuticals	14,505,776	938,221
Non-Pharmaceuticals	10,460,040	21,565
Laboratory Services	10,565,100	1,509,300
Radiology Services	3,945,900	420,800
Theatre Services	8,598,450	228,350
Accident and Emergency Services	2,028,390	289,770
Ear, Nose and Throat Services	874,150	53,450
Dental Services	930,600	75,800
Paediatric Services	8,039,340	2,005,620
Farewell Home Services (Mortuary)	8,736,150	2,728,561
Medical Records	2,185,755	312,190
Physiotherapy Services	291,800	27,400
Occupational Therapy	185,750	12,250
Eye Services	55,650	7,950
Special Clinics	149,800	21,400
Ambulance Services	156,450	22,350
Public Health	280,000	7,200
Other Incomes	114,055	16,000
Totals	72,103,156	8,698,177

2. Use of Goods and Services

Description	2022/2023	2021/2022
	Ksh	Ksh
Laboratory reagents	5,738,151	775,098
Food ration	6,107,012	3,038,702
Dressing and Non-Pharmaceuticals	7,739,917	1,252,400
Sanitary and cleaning materials	3,444,950	421,640
Medical Drugs	6,433,167	8,237,876
Medical Records	3,014,450	-
Bedding and Linens supplies	1,822,540	31,300
Dental Supplies	115,400	30,000
Surgical Implants	1,919,000	-
Medical Gases	287,000	134,500
X-Ray/Radiology Supplies	803,200	103,800
Totals	37,424,787	14,025,316

3. Employees Costs

Description	2022/2023	2021/2022
	Ksh	Ksh
Salaries, Wages and Allowances	3,278,964	3,077,536
Totals	3,278,964	3,077,536

4. Board of Management Expenses

Description	2022/2023	2021/2022
	Ksh	Ksh
Sitting Allowances	596,350	250,000
Totals	596,350	250,000

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5. Repairs and Maintenance

Description	2022/2023	2021/2022
	Ksh	Ksh
Motor Vehicle expenses	1,334,450	973,242
Repair of Buildings	3,126,327	1,190,125
Computer repairs	161,400	-
Repair of Electrical works	359,300	-
Repair of Generator	187,800	-
Repair of Mortuary Coolers	1,095,700	-
Repair of Hospital Equipment	225,350	58,450
Totals	6,490,327	2,221,817

6. General Expenses

Description	2022/2023	2021/2022
	Ksh	Ksh
Bank service charges	92,135	11,800
Consultancy fees/Contracted professionals	786,052	257,288
Contracted services-Security	1,665,000	1,191,000
Electricity Expenses	3,634,398	650,850
Travel and accommodation allowances	603,300	559,300
Water and Sewerage Expenses	254,275	410,000
Refined fuel,oil & Lubricants	2,717,481	1,536,301
Other Fuel-Charcoal & Firewood	2,105,600	75,000
Telephone , Mobile phones & Internet services	353,015	461,000
Printing & Stationery	2,995,635	-
Catering Services	250,000	100,000
General Office Supplies	2,330,327	543,425
General Repairs and Maintenance	384,850	-

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DSA	106,000	-
Purchase of Computers	-	91,000
Accrued General expenses	-	5,327,330
Total General Expenses	18,278,068	11,214,294

7. Cash and Cash Equivalent as at 30th June 2023

Description	2022/2023	2021/2022
	Ksh	Ksh
Cooperative Bank Ltd-Account No.011141455362600	181,426	445,401
Totals	181,426	445,401

8. Bank Service Charges

Description	2022/2023	2021/2022
	Ksh	Ksh
Cooperative Bank Ltd-Account No.011141455362600	92,135	11,800
Totals	92,135	11,800

10. Receivables from exchange transactions as at 30th June 2023

Description	2022/2023	2021/2022
	Ksh	Ksh
Medical services receivables-NHIF	6,919,085	2,694,802
Total Receivables from exchange transactions as at 30th June 2023	6,919,085	2,694,802

11. Inventories

Description	2022/2023	2021/2022
	Ksh	Ksh
Pharmaceuticals supplies	634,388	716,304
Non Pharmaceuticals supplies	433,271	-
Food Supplies	284,347	154,340
Laboratory Supplies	769,416	769,416
General Supplies	-	523,640
Total Inventories	2,121,422	2,163,700

12. Trade and Other Payables as at 30.06.2023

Description	2022/2023	2021/2022
	Ksh	Ksh
Trade Payables-Medical Costs	24,986,267	6,213,926
Trade Payables-General Expenses	12,397,597	7,464,993
Employee Dues	317,501	7,372,124
Total Trade and Other Payables as at 30.06.2023	37,701,365	21,051,043

13. Use of Goods and Services

Description	2022/2023	2021/2022
	Ksh	Ksh
Laboratory reagents	4,666,125	775,098
Food rations	5,801,191	3,038,702
Dressing and Non-Pharmaceuticals	6,515,921	1,252,400
Sanitary and cleaning materials	4,184,300	421,640
Medical Supplies	6,221,145	8,237,876
Medical Records	2,829,500	-
Linens/clothing supplies	73,540	31,300
Medical Gases	283,500	134,500

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X-Ray/Radiology Supplies	453,200	103,800
Dental Supplies	76,950	30,000
Surgical Implants	1,667,800	-
Less Accrued Expenses	-	(6,213,926)
Totals	32,773,172	7,811,390
14. Employees Costs		
Description	2022/2023	2021/2022
	Ksh	Ksh
Salaries, Wages and Allowances	3,847,428	3,077,536
Totals	3,847,428	3,077,536
15. Board of Management Expenses		
Description	2022/2023	2021/2022
	Ksh	Ksh
Sitting Allowances	596,350	250,000
Totals	596,350	250,000
16. Repairs and Maintenance		
Description	2022/2023	2021/2022
	Ksh	Ksh
Repair of Motor Vehicle	1,156,450	973,242
Repair of Buildings	2,200,755	1,190,125
Repairs of Printer	72,400	-
Repair of Electrical works	91,300	-
Repair of Generator	157,800	-
Repair of Mortuary Coolers	1,035,700	-
Repair of Hospital Equipment	225,350	58,450
Totals	4,939,755	2,221,817

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17. General Expenses		
Description	2022/2023	2021/2022
	Ksh	Ksh
Bank service charges	92,135	11,800
Contracted services-Security	1,230,000	1,191,000
Contracted Professional Services	200,000	257,288
Electricity expenses	2,100,000	650,850
Travel and accommodation allowances	92,000	559,300
Refined fuel ,oil & Lubricants	3,272,072	1,536,301
Other Fuel-Charcoal & Firewood	1,484,600	75,000
Telephone , Mobile phones & Internet services	474,115	461,000
Water and Sewerage Expenses	150,000	410,000
Printing & Stationery	1,175,750	-
Catering Services	250,000	100,000
General Office Supplies	1,823,373	543,425
General Repairs and Maintenance	384,850	-
DSA	628,300	-
Purchase of Computers	-	91,000
Accrued General Expenses	-	5,327,330
Less Accrued Expenses	-	(7,464,993)
Total General Expenses	13,357,195	3,749,301

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18. Purchase of Assets		
Description	2022/2023	2021/2022
	Ksh	Ksh
Purchase of Computers and Printers	408,540	102,000
Purchase of Dental Chair	661,900	-
Purchase of Lawn Mower	22,000	-
Purchase of Medical Equipment	687,940	-
Construction of Hospital Gate	1,000,000	-
Totals	2,780,380	102,000
19. Transfers		
Description	2022/2023	2021/2022
	Ksh	Ksh
Transfer to Health Head Office	1,000,000	-
Transfer to SPA	10,395,970	-
Transfer to Public Health Account	280,000	-
Total	11,675,970	-

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20. Fixed Assets Movement Schedule as at 30 June 2023

Description	Buildings and Civil Works	Furniture and Fittings	Plant and Medical Equipments	Motor Vehicles	IT Equipments	Intangible Assets-Software	Total
	4%	12.50%	12.50%	25%	30%	33%	
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost as at 30.06.2022	-	-	140,192,304	5,661,133	3,677,000	1,500,000	151,030,437
Disposals during the year 2021/2022	-	-	-	-	-	-	-
Transfers/Adjustments during the period	-	-	-	-	-	-	-
Accumulated Depreciation as at 30.06.2022	-	-	17,524,038	1,415,283	1,103,100	450,000	20,492,421
NBV as at 30.06.2022	-	-	122,668,266	4,245,850	2,573,900	1,050,000	130,538,016
							-
Cost as at 01.07.2022	-	-	122,668,266	4,245,850	2,573,900	1,050,000	130,538,016
Additions during the year 2022/2023	1,975,109	661,900	132,940	827,000	265,540	-	3,862,489
Disposals during the year 2022/2023	-	-	-	-	-	-	-
Transfers/Adjustments during the period	-	-	-	-	-	-	-
Total Cost as at 30.06.2023	1,975,109	661,900	122,801,206	5,072,850	2,839,440	1,050,000	134,400,505
							-
Accumulated Depreciation and Impairment as at 01.07.2022	-	-	17,524,038	1,415,283	1,103,100	450,000	20,492,421
Depreciation for the year 2022/2023	79,004	82,738	15,350,151	1,268,213	851,832	346,500	17,978,437
Accumulated Depreciation as at 30.06.2023	79,004	82,738	32,874,189	2,683,496	1,954,932	796,500	38,470,858
Net Book Value as at 30.06.2023	1,896,105	579,163	107,451,055	3,804,638	1,987,608	703,500	116,422,068
Net Book Value as at 30.06.2023	1,896,105	579,163	107,451,055	3,804,638	1,987,608	703,500	116,422,068

21. Depreciation and Amortization Expense

Description	2022/2023	2021/2022
	Ksh	Ksh
Property, Plant and Equipment	17,631,937	20,042,421
Intangible Assets	346,500	450,000
Total Depreciation and Amortization	17,978,437	20,492,421

22. In-Kind Contributions in Payment of Electricity Expenses

Description	2022/2023	2021/2022
	Ksh	Ksh
County Government of Homa Bay	400,000	7,237,024
Kenya Medical Training College-Oyugis	70,000	-
Total	470,000	7,237,024

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23. Total Revenue Realized for the year 2022/2023

Month	FIF	NHIF	Public Health	Total Revenue
		Claims		
	Ksh	Ksh		Ksh
Jul.22	206,210.00	3,035,380.00		3,241,590.00
Aug.22	303,790.00	4,868,900.00		5,172,690.00
Sep.22	619,230.00	2,457,100.00		3,076,330.00
Oct.22	888,755.00	2,400,500.00		3,289,255.00
Nov.22	1,276,185.00	11,127,000.00		12,403,185.00
Dec.22	1,226,701.00	5,811,300.00		7,038,001.00
Jan.23	1,169,830.00	2,901,800.00		4,071,630.00
Feb.23	993,150.00	2,280,500.00		3,273,650.00
Mar.23	1,096,572.00	16,818,800.00		17,915,372.00
Apr.23	461,055.00	5,232,000.00	280,000.00	5,973,055.00
May.23	190,069.00	1,331,000.00		1,521,069.00
Jun.23	594,329.00	4,533,000.00		5,127,329.00
TOTALS	9,025,876.00	62,797,280.00	280,000.00	72,103,156.00

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24. Cash Received For The Financial Year 2022/2023

	FIF	NHIF	Public Health	TOTAL
	Ksh	Ksh	Ksh	Ksh
Jul.22	206,210.00	-		206,210.00
Aug.22	303,790.00	1,657,700.00		1,961,490.00
Sep.22	619,230.00	1,534,450.00		2,153,680.00
Oct.22	888,755.00	9,624,240.00		10,512,995.00
Nov.22	1,276,185.00	2,701,650.00		3,977,835.00
Dec.22	1,226,701.00	5,614,500.00		6,841,201.00
Jan.23	1,169,830.00	13,408,420.00		14,578,250.00
Feb.23	993,150.00	1,304,660.00		2,297,810.00
Mar.23	1,096,572.00	315,000.00		1,411,572.00
Apr.23	461,055.00	2,407,500.00	280,000.00	3,148,555.00
May.23	190,069.00	6,404,300.00		6,594,369.00
Jun.23	594,329.00	15,527,979.00		16,122,308.00
Total	9,025,876.00	60,500,399.00	280,000.00	69,806,275.00

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Notes to the Financial Statements (Continued)

25 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:

Notes to the Financial Statements (Continued)

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

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.

26 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.

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

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

27 Events after the Reporting Period

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

28 Ultimate and Holding Entity

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

29 Currency

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

XX. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Guidance Notes:

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



Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Status of Projects completion

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

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Appendix III: Inter-Entity Confirmation Letter

The County Hospital wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Rachuonyo County Hospital as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023			Total (D)=(A+B+C)	Amount Received by [beneficiary entity] (KShs) as at 30 th June 20XX(E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial(C)			
Total							

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

Head of Accounts Department of the beneficiary entity:

Name Sign Date.....

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Appendix IV Reporting of Climate Relevant Expenditures

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

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Appendix V: Disaster Expenditure Reporting Template

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