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THE AUDITOR-GENERAL

ON

MARAFI SUB-COUNTY HOSPITAL

**FOR THE FOURTEEN (14) MONTHS PERIOD
ENDED 30 JUNE, 2023**

COUNTY GOVERNMENT OF KILIFI



**MARAFA SUB-COUNTY HOSPITAL
(KILIFI COUNTY GOVERNMENT)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR FOURTEEN MONTHS ENDED 30TH JUNE 2023

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector

Accounting Standards (IPSAS)

Marafa Sub-County Hospital (Kilifi County Government)
Annual Report and Financial Statements for Fourteen Months Ended 30th June 2023

Marafa Sub-County Hospital (Kilifi County Government)
Annual Report and Financial Statements for Fourteen Months Ended 30th June 2023

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
BOM	Board Of Management
NCD	NON-Communicable diseases
RH	Reproductive health
HMT	Health Management Team
CECM	County Executive Committee Member
SCH	Sub-County Hospital
NHIF	National Hospital Insurance Fund.

2. Key Entity Information and Management

(a) Background information

Marafa Sub-County Hospital is a level 4 hospital established under gazette notice number 340 of 26th April 2022 and is domiciled in Kilifi County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The Hospital is envisioned as a healthcare centre that is autonomous as a referral Hospital in the Magarini sub-county, Kilifi county and the Coast region at large.

The mission of the hospital is to provide competitive, accessible, acceptable, timely, and quality Health services at an affordable rate to the people of Magarini Sub-county and beyond.

The main mandate of this Hospital is to provide curative, preventive, promotive and rehabilitative health services as provided for in the Public Health Act. Cap 242 of the Laws of Kenya.

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/Medical Superintendent
- Hospital administrator
- Head of departments

(d) Fiduciary Management

The key management personnel who held office during the for the Fourteen Months period ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Catherine Nangorombi Kitsao
2.	Hospital Administrator	Patience Kache Peru
3.	Head of finance	Mumba Fred Nzai
4.	Nursing officer in-charge	Samuel Kadenge Charo

(e) Fiduciary Oversight Arrangements

The hospital activities are oversighted through the following structures:

I. The County Assembly

The County assembly, pursuant to the constitution of Kenya, 2010 and the County Government Act, 2012 under Article 8(1) has fiduciary oversight role over the execution of the functions of the County Government., it approves the budget and expenditure of the County Government in accordance with article 207of the constitution of Kenya. It also approves the borrowings of the County Government in accordance with article 212 of the Constitution of Kenya 2010.

II. The Controller of budget

The controller of budget has fiduciary oversight role of the County Government under article 22(5) of the Constitution of Kenya, 2010 by approving withdrawal from the public funds only when satisfied that the is authorized by law.

III. County executive committee

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

IV. Internal Auditor Department

The internal Audit Department of the County Government of Kilifi ensures that the internal controls exist and are adhered to. The internal Audit reports to the county Audit Committee.

V. Entity Headquarters

P.O. Box 5-80206

Madina

Marafa- Kenya

VI. Entity Contacts

Telephone: (+254) 106 131 958

E-mail: marafahealthcenter@gmail.com

VII. Entity Bankers

Co-Operative Bank

Kilifi Branch

P.O Box 96-80108 Kilifi

VIII. Independent Auditors

Auditor General

Office of Auditor General

Anniversary Towers,

University Way.

P.O. Box 30084

GPO 00100

Nairobi, Kenya

IX. County Attorney

The County Attorney

Kilifi plaza

Hospital road

P.O. Box. 519-80108




Kilifi, Kenya

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3. The Board of Management

	WORK EXPERIENCE
 <p>Mwalimu K. Menza Chairperson DOB:15-02-1981 Msc. Horticulture</p>	<p>Has a research extension experience of 16 years. worked as a CECM Agriculture, livestock and fisheries at the county government of kilifi and part time lecturer at kenyatta university, Pwani university and University of Nairobi</p>
 <p>Michael Masha Kitsao Treasurer DOB:01-01-1992 Accounting Technicians Diploma</p>	<p>Has upto date 7 years experience in accounts. Working as an accountant with Marafa Community Development Program since 02/08/2017.</p>
 <p>Catherine N. Kitsao Secretary DOB:01/01/1983 Diploma in Clinical Medicine And Surgery</p>	<p>She has 5 years experience in hospital management having have served as the facility in charge at Sabaki dispensary for 2 years and later on to marafa right from its being level 111 upto until its elevation to level IV summing up to another 3 years.</p>
 <p>Peter Changawa Thoya Member DOB:10/10/1966 Bachelor of Development Studies</p>	<p>Has vast experience in project management. Working upto date as a program manager with Caris Foundation for 8 years and with Mulangaza Integrated Development program for 12 years.</p>

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 <p align="center">Raphael Baraka Garama Member DOB:08/05/1997 Bsc. Health Systems Management</p>	<p>Mr. Raphael has good touch in hospital operations and management with 3 years experience at Kilifi County Hospital as drugs store manager.</p>
 <p align="center">Idris Mohammed Maalim Member DOB:02/10/1994 Dip. In Public Relations</p>	<p>Worked as a personal assistant to member of parliament for 5 years upto 2022.</p>
<p align="center">Sarah Kache Kapombe Member DOB:11/11/1967 Bachelor Of Education (In Arts)</p>	<p>Has good experience in management being upto date the deputy principal Adu Secondary school.</p>
 <p align="center">Joy Rehema David Member DOB:10/06/1991 Diploma In Supplies And Chain Management</p>	<p>Has a 5 years experience in procurement having have worked as a procurement officer with NARIG program and in the office of Magarini Deputy County Commisioner.</p>

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Michael Ngala Kahindi
Member
DOB:20/10/1983
Certificate In Information And
Technology

Has a 13 years experience in information technology having worked as a computer tutor and data entry officer with AFYA PLUS, AMURT and Bright Junior academy.

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4. Key Management Team

S/No	Management	Details
1	Catherine Nangorombi Kitsao	Medical Superintendent
2	Patience Kache Peru	Hospital Administrator
3	Samuel Kadenge Charo	Nursing Officer In-Charge
4	Mumba Fred Nzai	Head Of Finance
5	Joseph Nguzo Rimba	Head Clinical Services
6	Livingstone Mupe	Head Of Rehabilitative Unit
7	Joe Njeta	Head CCC
8	Maka Rashid	Head Reproductive Health
9	Anne Chitelengo	Head Of Hospital Records
10	Samuel Charo	Head CCC/FP
11	Samson Karisa Mwambire	Head Laboratory Services
12	Freighton Kalume Duka	Head Of Pharmacy
13	Halima Bakari	Head Maternal Unit
14	Anderson Furaha Thoya	Head Of Maintenance
15	Steven Madenje Mwaro	Head Of Nutrion

5. Chairman's Statement

The pioneer Board of Management (BOM) of Marafa Sub County Hospital on behalf of the residents of Magarini Sub-County are delighted to have the long awaited and well deserved level 4 health facility at Marafa. Marafa Sub County Hospital attained its current status of level 4 health facility through gazette notice No. 6340 of 26th April 2022. As a public hospital, Marafa Sub County Hospital is governed by policies and regulations set forth by the County Government of Kilifi through the Department of Health and the National Government through the Ministry of Health.

The BOM is committed to steering Marafa level 4 hospital towards excellence in discharging its health service delivery mandate within available resources. Key strengths of the facility include:

Strategic location: Marafa Level 4 hospital is at Marafa Township which is a fairly central location within Magarini Sub-County and easily accessible. This also positions the facility to better serve referral cases from the lower level health facilities within the Sub-County.

- **Elite Board of Management:** The BOM composition meets requisite academic, professional, gender, youth and special needs representation with its members committed to service.
- **Adequate land for future expansion:** The hospital sits on approximately 26 acres of land which is adequate for present needs and for future expansion.
- **Linkages with the community and stakeholders:** The Board and management is nurturing partnerships with the community to promote positive health seeking behaviour and with other organisations and stakeholders to support improvement of the hospital.

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- New physical infrastructure: There are newly built buildings at Marafa level 4 Hospital including male and female wards, Maternity and Theatre and a Radiology block.

According to the policy guidelines, a level 4 hospital should have the capacity to manage medical, surgical, orthopedic, pediatric and gynecological in-patients, radiology services, renal dialysis, tuberculosis management, cancer management, mortuary and autopsy services. The BOM is committed to lobby for progressive improvement of Marafa Sub-County Hospital to effectively attain the standards and service delivery expected of a level 4 hospital.

Appreciating that quality improvement in healthcare is a continuous process, the BOM is grateful to The Governor of Kilifi County, H.E. Gideon Mung'aro and the County Government of Kilifi for the achievements within the reporting period which include:

- Completion and handing over of male inpatient ward building
- Completion and handing over of female inpatient ward building
- Completion and handing over of radiology building
- Delivery of 90 inpatients beds and mattress
- Landscaping for the new buildings.

These achievements notwithstanding, there are challenges including but not limited to:

- Limited human resource capacity: Personnel for the following services are still lacking; Radiology, Surgical operation, Dentistry, Nephrology, Otorhinolaryngology (Ear Nose and Throat), Oncology, Internal medicine, Critical care, Dermatology, Neurology, and Autopsy.
- General outpatient services, paediatric, maternity ophthalmological, gynaecological and orthopaedic services are available but to a limited scope. Critical cases are still

being referred to Malindi Sub-County Hospital due to lack of Medical Officers, specialists and critical equipment for these services.

Clinical and Nursing officers are available but are grossly inadequate.

- Limited equipment : The following key equipment (not exhaustive list) are lacking; CT Scan and ultrasound machine, Dental chair unit, Dialysis machine, Ophthalmic chair unit and equipment, full haemogram testing equipment, ENT equipment and Critical care equipment. Of crucial importance also is that the human resource to operate and offer the services in these units is still lacking.
- Limited facilities: The following facilities (not exhaustive) are still lacking; Mortuary, Incinerator, Drugs and pharmacy store, and Casualty unit. The following are available but inadequate: Pharmacy, Kitchen, Offices, Generator, Refridgeration and laundry facilities. There are also old dilapidated buildings with asbestos roofs, Inadequate staff houses, inadequate vehicles, old equipment, and inadequate water storage capacity. There is limited ICT equipment an internet connectivity.
- Limited support staff: There is need for support staff in many areas including but not limited to; Procurement, Health Records management, Internal audit, Social office, Hospital administrator, Cleaners, Kitchen staff, Security and Community health volunteers.

An accountant is available but additional staff are needed due to heavy workload.

- Lack of awareness among the community on changes in charges for the services upon elevation of the facility has made some members of the community feel inconvenienced.

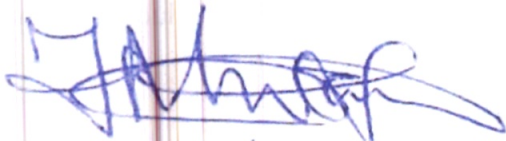
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- Marafa Sub-County Hospital having been recently elevated as such is not yet accredited internship and training facility.
- Lack of perimeter fence and titling for the hospital land exposes it to the risk of invasion

Marafa Sub-County Hospital is not yet fully operation as a level 4 health facility due to the above challenges which need to be addressed in order to enhance health service delivery.

Immediate future plans of the hospital include to operationalise the surgical theatre, radiology unit, newly built male and female wards; have critical medical and nursing officers deployed to the hospital; conduct medical camps and securing the hospital land.

It is in this regard that I have the pleasure to present the Marafa Sub County Level 4 Hospital financial statements for the Fourteen Months period ending 30th June 2023. The financial statements present the financial performance of HSIF fund in relation to ensuring affordable and quality healthcare.



Name: Mwalimu Katana Menza

Chairman to the Board

6. Report of The Medical Superintendent

Marafa sub-county hospital is an upcoming level IV hospital which was gazetted in 3rd June, 2022 of gazette notice number 6340. thereafter management preparations started to be put in place to conform with a level IV hospital. To the facility, this was a very long transition period because it included

i. Selection of Board of Management.

The composition, structure and functions of a level IV hospital are abit different to the previous health facility management committee. The choosing of the BOM required lots of public participation with a long sphere covering atleast the whole of Magarini sub-county. This required a lot of arrangements and consultations but in the long run a meeting was convened at Marafa social hall and BOM were selected.

ii. Change of signatories.

The management structure of a level IV hospital required a different fund management from the health facility therefore a new management unit was to be structured which included: the med sup, hospital administrator and the fund administrator.

iii. Other management preparations

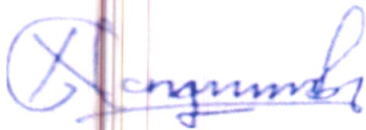
Other than the two mentioned management preparations, there were other preparations which included: opening of the hospital expenditure account, confirmation of the new BOM, handing over process to the selected BOM and finally transfer of funds to the expenditure account.

All these processes took a lot of time and made the hospital to start spending and functioning as a level IV hospital on the fourth quarter of the financial year. This in effect hampered our ability to

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fully make use of the budget lines as shown in our expenditure report with a utilization rate of 69% with some budget lines not completely touching them.

Going forward the facility has made enough measures to ensure we utilize the budget to its maximum so as to achieve our objectives of the next financial year as the structures now are all in place and ready for use.



Name: Catherine Nangorombi Kitsao

Secretary to the Board

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7. Statement of Performance Against Predetermined Objectives

Marafa Sub County Hospital has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows:

- Service Quality Management
- Human resource for health
- Management of hospital infrastructure.

Marafa sub-county hospital develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2022/2023 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Service Quality Management	<ul style="list-style-type: none"> • Enhance Continuous Quality Improvement 	Number of meetings for the Facility’s Stakeholders Forum	Strengthening the Engagement and Coordination of Hospital Partners	<ul style="list-style-type: none"> • Several Meetings Held • Several stakeholders Identified
Management of hospital infrastructure	To provide Modern Medical Equipment ,	<ul style="list-style-type: none"> • Construction of a radiology Unit 	<ul style="list-style-type: none"> • Construction and Expansion of 	Construction of a 120 bed capacity ward is complete construction

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	plants and Machinery	<ul style="list-style-type: none"> • Construction of modern male & female ward. 	hospital service units	of a modern radiology unit is complete.
Human resource for health	<ul style="list-style-type: none"> • Staff Motivation <p>To develop Staff</p>	<ul style="list-style-type: none"> • Implement rewards and sanctions policy • Conduct training need assessment 	Human Resource Development and Motivation Improve staff performance culture	All Staffs are involved in decision making through various committees, HMT, Departmental meeting, staff meeting days,

8. Corporate Governance Statement

Marafa Sub-County Hospital Board of Management is responsible for the corporate governance of the Hospital and is accountable to Ministry of Health, County department of health Kilifi County for ensuring that the Hospital complies with the laws and the highest standards of corporate governance and business ethics. The Board members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

a) Board of Management

The Board of Management is composed of non-executive members appointed by the C.E.C.M Health Kilifi County. The Appointed Board of Management to be held accountable and responsible for the efficient and effective governance of the hospital. Members of the Board have a range of skills and experience and each brings an independent judgment and considerable knowledge to the Board's discussions. The board term is two years renewal subject to performance.

Summarized below are the key roles and responsibilities of the Board:

- Approve and adopt strategic plans and annual budgets, set objectives and review key risk and performance areas.
- Resource Mobilization
- Determine overall policies and processes to ensure integrity of the Hospital's management of risk and internal contracts; and

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- Review at regular meetings Management's performance against approved budget.

The full Board meets at least 4 times a year and the Chairperson has regular meetings and consultations with the Medical superintendent. The Board members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Medical superintendent. The Board nonetheless retains responsibility for establishing and maintaining the Hospital's overall internal control, financial, operational and compliance framework.

b) Board Meetings

The Board as per the Annual work plan meets quarterly or additionally when necessary to consider matters of overall control of the hospital. The Board agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within stipulated timelines. The Main Board held 1 meetings attended by selected members.

Name of Member	Designation	Meeting Attended
Mwalimu Katana Menza	Chairperson	1
Michael Masha Kitsao	Treasurer	1
Catherine Nangorombi Kitsao	Secretary	1
Peter Changawa Thoya	Member	1

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Raphael Baraka Garama	Member	1
Idris Mohammed Maalim	Member	1
Sarah Kache Kapombe	Member	1
Joy Rehema David	Member	1
Michael Ngala Kahindi	Member	1

c) Board Remuneration

Board Members provide services to the hospital to which they are entitled to allowances in every sitting. The allowance is paid as per the government of Kenya allowance circulars.

9. Management Discussion and Analysis

The considerations in restructuring an organization are effective coordination of roles and responsibilities to avoid overlap and duplication of roles and effort; clear accountability for results; enhanced teamwork and effective communication; and career development for staff. Appropriate structures also allow the organization to resource and sustain essential skills and expertise in the organization.

The overall leadership and governance of Marafa sub-county hospital is vested in the Hospital Management Board. The Board members are appointed in accordance with the policies of the County Government of Kilifi. The day-to-day management of the hospital is vested on the medical superintendent.

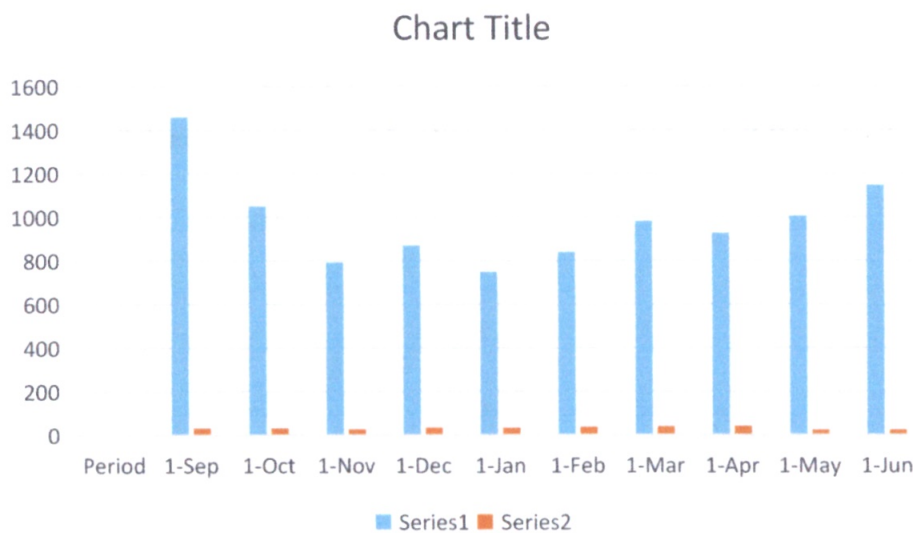
The medical superintendent will be assisted in performing the functions of his or her position by the hospital Management Team (HMT), which consists of the Medsup, divisional heads and heads of departments.

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a) Clinical/operational performance

i. Patient Attendance: Inpatient/OPD Visits

Period	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Outpatient attendance	1461	1051	792	871	749	840	981	927	1006	1147
In patient attendance	33	33	28	36	34	38	40	42	25	24

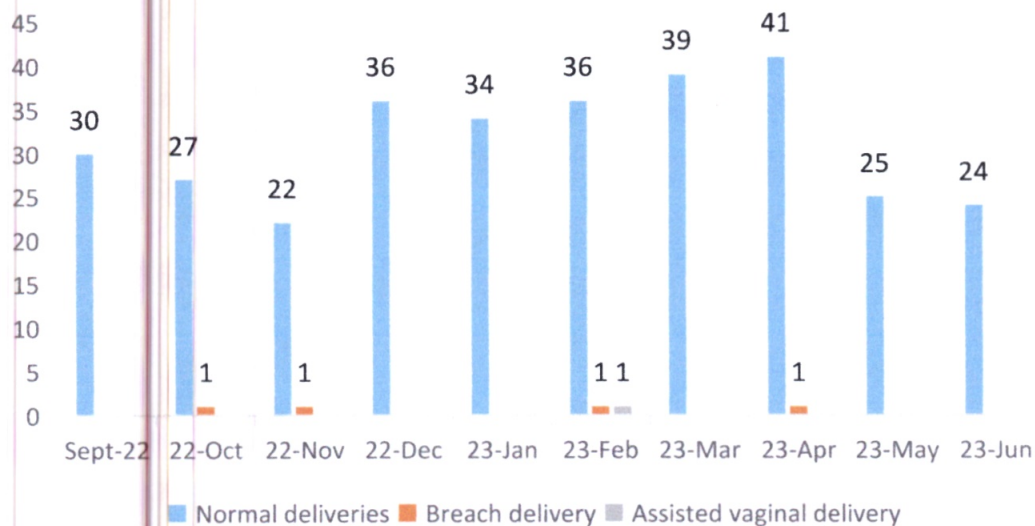


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ii. Maternal deliveries

Type of Delivery	Sept-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Normal deliveries	30	27	22	36	34	36	39	41	25	24
Breach delivery		1	1			1		1		
Assisted vaginal delivery						1				

Maternal Deliveries FY 2022-2023



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iii. Antenatal Care Clinic

Period	Sep- 22	Oct- 22	Nov- 22	Dec- 22	Jan- 23	Feb- 23	Mar- 23	Apr- 23	May- 23	Jun- 23
New ANC visits	38	39	31	25	41	30	26	26	40	41



a) Financial performance

i. Revenue sources

As much as the Marafa community and its environs accepted with a lot of happiness the upgrading of the facility to level IV, the financial impact on acquiring health services really took time to catch up with them. The hospital is still operating with a level III NHIF contract as it still awaits NHIF assessment and re-accreditation to level IV hospital and of course this has an effect on the amounts that NHIF disburses for the services we provide as we are paid as a level III facility as per the contract that prevails.

During this Fourteen months financial period ending 30th June 2023, Marafa sub-county hospital had some units/ department which were not fully functional like the inpatient department which in our case was mainly maternal cases which were admitted while most of the other case either kept for monitoring or referred, radiology unit was not functional as we lacked personnel and equipment, theatre services were as well not operational. This in effect impacted on our revenue abilities as we were only depending on the following as our revenue departments: outpatient department, laboratory department, pharmacy department, rehabilitative department, Antenatal/maternal units through linda mama program, special clinics (NCD, eye clinics, RH clinics).

These revenue sources were collected either through:

- Cash collection
- NHIF collection.

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ii. Utilisation of funds

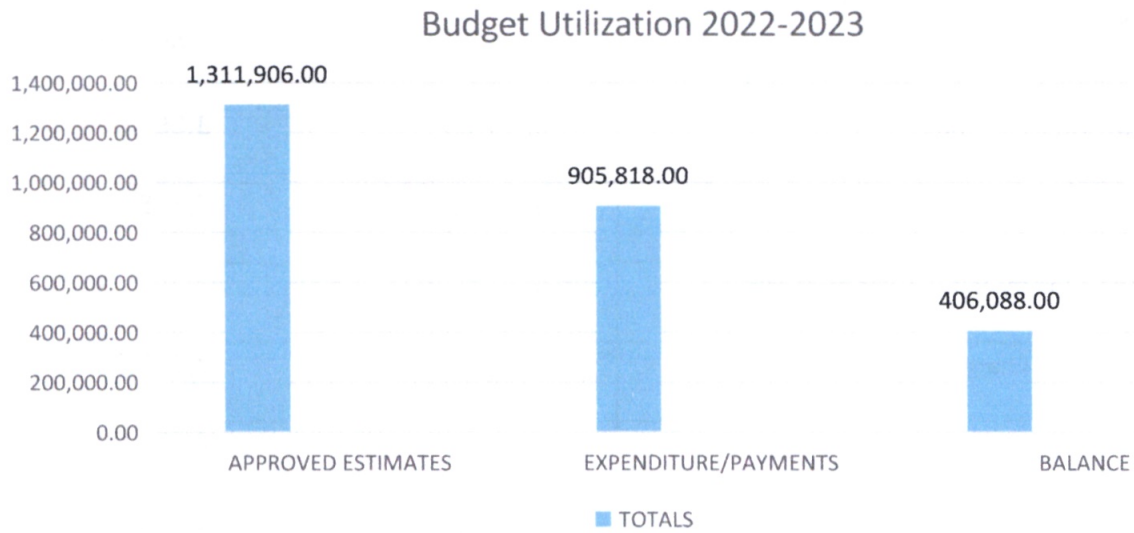
ITEM CODE	ITEM DESCRIPTION	APPROVED	EXPENDITURE/PAYMENTS	BALANCE
		ESTIMATES		
		FY 2022/2023	FY 2022/2023	FY 2022/2023
2110201	Contractual Employee	521,216.00	519,988.00	1,228.00
2120101	Employer Contributions to NSSF	57,920.00	57,140.00	780.00
2120201	Employer contributions to national social and health insurance	29,600.00	29,600.00	-
2210201	Telephone, Telex, Facsimile and Mobile Phone Services	15,000.00	8,500.00	6,500.00
2210301	Travel Costs (airlines, bus, railway, mileage allowances, etc.)	65,000.00	20,100.00	44,900.00
2210302	Domestic accommodation & community activities	90,000.00	41,000.00	49,000.00
2210303	Domestic - Daily Subsistence Allowance	123,500.00	123,200.00	300.00
2210502	publishing & printing	15,500.00	6,025.00	9,475.00
2210801	Catering Services (receptions), Accommodation, Gifts, Food and Drinks	5,000.00	-	5,000.00
2210802	Boards, Committees, Conferences and Seminar	76,000.00	62,000.00	14,000.00
2211002	Dressing & other non-pharmaceutical medical items	3,000.00	-	3,000.00

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2211008	Lab materials, supplies and small equipment	20,300.00	6,600.00	13,700.00
2211015	Foods & Rations	20,000.00	3,860.00	16,140.00
2211101	General office supplies	20,500.00	7,365.00	13,135.00
2211103	Sanitary and cleaning materials	25,050.00	-	25,050.00
2211301	Bank Charges	7,720.00	2,890.00	4,830.00
2220101	Maintenance of Motor Vehicle	25,000.00	2,750.00	22,250.00
2220205	Maintenance of Buildings and stations	95,000.00	1,800.00	93,200.00
2220210	Maintenance of Computer, Software and Networking	15,000.00	13,000.00	2,000.00
3110902	Purchase of household and institutional appliances	3,600.00	-	3,600.00
3111002	Purchase of computers, printers and IT Equipments	78,000.00	-	78,000.00
	TOTALS	1,311,906.00	905,818.00	406,088.00

Utilization rate of 69%

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MEDICAL SUPERINTENDENT
MARAFI SUB-COUNTY HOSPITAL
25 SEP 2023
P. O. Box 5 - 80207
MADINA

Name: Catherine Nangorombi Kitsao

Secretary to the Board

10. Environmental And Sustainability Reporting

Marafa sub-county hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

Marafa SCH and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that Marafa SCH going concern is secured. The hospital has conducted a basic assessment of available options for feasible financing tools that would assure the hospital of its long-term sustainability. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options, which include:

- Enhancing of specialized clinics such as NCD's.
- Public Private Partnership
- Enhancing Client satisfaction through quality service care

ii) Environmental performance

Marafa SCH is using the National Health Care Waste Management policy guideline which is guiding us in the management of the waste that we generate in the hospital which include:

- The hospital has a working incinerator to incinerate the infectious waste.
- The general cleanliness of the organization is well maintained both indoors and grounds.

Efforts to Reduce Environmental Impact of Waste Product

The incinerator burns the waste at a very high temperature and the products are harmless.

iii) Employee welfare

Hiring process involves bringing new employees on board. This is the mandate of the County Public Service Board reference made from the Public Service Commission Human Resource Manual and procedures May 2016, mentioned in section B which provides the rules governing recruitment and appointment of new officers.

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

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

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

The Human Resource Manual procedures also provides for guidelines and standards for the prevention and protection of officer against accidents and occupational hazards arising at the work place. It provides for guidelines, procedures and modalities for the administration and

payment of compensation for work related injuries and accidents contracted while and in the course of employment.

iv) Market place practices

a) Responsible completion practices

This is effectively done through making good use of the instituted internal committees to help minimize corruption.

b) Responsible marketing and advertisement

Effectively done using the local community engagement

Corporate social responsibility

- Conducting of regular outreaches to create awareness on various healthcare issues.

11. Report of The Board of Management

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

Principal activities

The principal activities of the entity are to provide quality and affordable preventive, promotive, rehabilitative and curative health services across the county.

Results

The results of the entity for the Fourteen Months period ended June 30 2023 are set out on pages 1 to 24

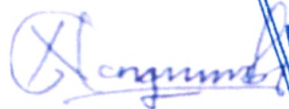
Board of Management

The members of the Board who served during the year are shown on page VII. During the year, no director(s) retired/ resigned, and no director (s) was appointed.

Auditors

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

By Order of the Board



Name: Catherine Nangorombi Kitsao

Secretary to the Board



12. Statement of Board of Management's Responsibilities

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

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

Marafa Sub-County Hospital (Kilifi County Government)
Annual Report and Financial Statements for Fourteen Months Ended 30th June 2023

the opinion that the Marafa SCH's financial statements give a true and fair view of the state of Marafa SCH's transactions during the financial period ended June 30, 2023, and of the Marafa SCH financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Marafa SCH, which have been relied upon in the preparation of the Marafa SCH'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 Marafa SCH 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 25/09/2023 and signed on its behalf by:

Name: Mwalimu Katana Menza
Chairperson
Board of Management



Name: Catherine Nangorombi Kitsao
Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MARAFA SUB-COUNTY HOSPITAL FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF KILIFI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Marafa Sub-County Hospital - County Government of Kilifi set out on pages 1 to 25, which comprise of the statement of

Report of the Auditor-General on Marafa Sub-County Hospital for the fourteen (14) months period ended 30 June, 2023 - County Government of Kilifi

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 fourteen (14) months period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion Section of my report the financial statements present fairly, in all material respects, the financial position of Marafa Sub-County Hospital - County Government of Kilifi for the fourteen (14) months period ended 30 June, 2023, and of its financial performance and its cash flows for the fourteen (14) months period then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Lack of Quarterly Revenue Reports

The statement of financial performance reflects Kshs.1,275,314 in respect of Transfers from Health Services Insurance Fund (HSIF) as disclosed in Note 5 to the financial statements. However, the Hospital did not provide evidence to show that quarterly reports were prepared and submitted to the County Treasury with a copy to the Auditor-General as per the requirements of Regulation 64(1) of the Public Finance Management (County) – Governments Regulations, 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that – (a) adequate safeguards exist and are applied for the prompt collection and proper accounting for all county government revenue and other public moneys relating to their county departments or agencies.

In the circumstances, the accuracy and completeness of the revenue collected could not be confirmed.

2. Asset Management

2.1 Undisclosed Property, Plant and Equipment Balance

The statement of financial position reflects Nil balance in respect of property, plant and equipment. However, physical verification carried out in April, 2024 revealed that the Hospital owned various assets such as land, buildings, medical equipment, computers and furniture and fittings of an undetermined value which were not included in the financial statements. Further, the ownership documents for land were not provided for audit.

In the circumstances, the value, security, ownership, disclosure and completeness in respect of property, plant and equipment could not be confirmed.

2.2 Failure to Maintain Fixed Asset Register

The statement of financial position reflects Nil in respect to property, plant and equipment. However, it was noted that the Hospital does not maintain fixed asset register to control its assets. This was 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.

3. Undisclosed Receivables from National Hospital Insurance Fund (NHIF)

The statement of financial position reflects a balance of Kshs.853,779 in respect of receivables from non-exchange transactions as disclosed in Note 12 to the financial statements. However, review of National Health Insurance Fund (NHIF) records maintained at the Hospital revealed that the Hospital submitted claims amounting to Kshs.1,242,900 out of which rejected and settled claims amounted to Kshs.45,000 and Kshs.931,600 respectively resulting in an unsettled balance of Kshs.266,300 which was not disclosed in the financial statements.

In the circumstances, the accuracy, propriety of rejected and settled claims and completeness of the balance in respect of receivables from exchange transactions could not be confirmed.

4. Undisclosed Inventories Balance

The statement of financial position reflects Nil balance in respect of inventories. However, review of records revealed that the Hospital operated equipped stores for pharmaceuticals, non-pharmaceuticals, kitchen and nutrition department, cleaning and laboratory items and other medical equipment. However, no evidence was provided to show that stock taking exercise was conducted on 30 June, 2023 and as a result, Management was not in a position to identify, separate and account for the inventories balance.

In the circumstances, the accuracy and completeness of the Nil balance in the financial statements could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.1,311,906 and Kshs.1,275,314 respectively resulting in net under funding of Kshs.36,592 or 3% of the budget. Similarly, the Hospital spent Kshs.905,818 against actual receipts of Kshs.1,275,314 resulting in underutilization of Kshs369,496 or 29% of the budget.

The under collection, underfunding and underutilization affected the planned activities of the hospital and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Kenya Quality Model for Health for Level 4 Hospital Requirements

Review of documents revealed that the Hospital had only twenty-two (22) medical staff against the minimum requirement of one hundred and one (101) leaving a variance of seventy-nine (79) or 78%. Further the Hospital had one hundred and twenty (120) beds against the requirement of one hundred and fifty (150) for a level 4 hospital and therefore having a variance of thirty (30) beds or 20%.

Further, the Hospital lacked vital services such as renal dialysis, functional intensive care unit with 6 beds, high dependency unit with 6 beds, mortuary and autopsy services, advanced life support and incinerator.

In the circumstances, the Hospital may not have been able to discharge its mandate as a level 4 Hospital and effectively deliver universal health coverage to the public.

Report of the Auditor-General on Marafa Sub-County Hospital for the fourteen (14) months period ended 30 June, 2023 - County Government of Kilifi

2. Non-Compliance with Pharmacy and Poisons Board and Stock Take Requirements

Physical verification of the Hospital storage rooms for pharmaceutical and non-pharmaceutical products revealed that the Hospital does not have adequate storage space for medical products of at least 4*3 meters dimension and lockable cabinets for controlled substances and quarantined products. Instead, medical products are piled together without proper arrangement and identifiable manner. In addition, drugs of undetermined value had expired and were dumped with other waste materials in a room in the Hospital.

Further, the facility operates equipped stores for pharmaceuticals, non-pharmaceuticals, kitchen and nutrition department, cleaning and laboratory items and other medical equipment. However, no evidence was provided to show that stock taking exercise was conducted as at the end of the financial year. As a result, Management was not in position to identify, separate and account for the inventories held.

In the circumstances, effective control and use of resources could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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 overall governance were not effective.

Basis for Conclusion

1. Failure to Maintain Proper Inventory Records

Inspection of the stores and pharmacy revealed stocks of various drugs and other pharmaceuticals. However, stock movement control records were not properly maintained and updated. Therefore, the physical stocks could not be reconciled with the balances reflected on the Stores ledger and stock control cards. Further, there was no reconciliation on received drugs, drugs issued to patients, breakages, spillage, expired

and the revenue generated. The facility held expired drugs of undetermined value at its stores.

In the circumstances, loss of stocks through theft or pilferage may occur and Management was in breach of the law.

2. Unsupported Board of Management Expenses and Failure to Meet Board Meeting Threshold

The statement of financial performance and Note 8 to the financial statements reflects Kshs.62,000 paid to Board of Management as sitting allowances. However, invitation letters for the meetings held, board's work plan for the year and the board's charter were not provided for audit. In addition, the board had not constituted the other oversight committees as at the time of audit. Further, the Board members were gazetted on 3 June, 2022 and were supposed to hold the first meeting on 23 November, 2022 with subsequent quarterly meetings. However, they held only one meeting on 18 May, 2023 contrary to the requirements of Circular Ref. No. OP/CAB.9/1A of 11 March, 2020.

In the circumstances, failure by the Board and the Board Committees to hold meetings as per guidelines contravened the law and general oversight of the Board could not be confirmed.

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

Responsibilities of Management and the Board of Management

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

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

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

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

The Board of Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how the entity 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 continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 June, 2024

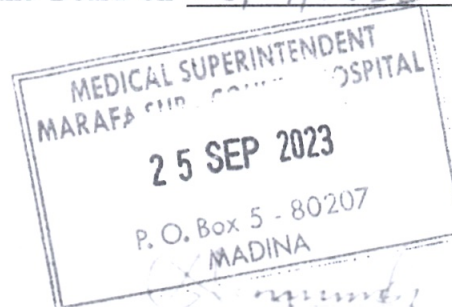
Marafa Sub-County Hospital (Kilifi County Government)
Annual Report and Financial Statements for Fourteen Months Ended 30th June 2023

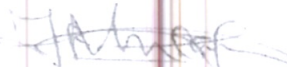
14. Statement of Financial Performance for The Fourteen Months Ended 30 June 2023

	Note	2022-2023 KShs
Revenue from non-exchange transactions		
Transfers from HSIF Fund	5	1,275,314
Total revenue		1,275,314
Expenses		
Medical/ Clinical Costs	6	6,600
Employee costs	7	606,728
Board of Management Expenses	8	62,000
General Expenses	10	212,940
Repair and Maintenance	9	17,550
Total expenses		905,818
Surplus/(deficit) for the period		369,496

The notes set out on pages 7 to 24 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 25/09/2023 and signed on its behalf by;




Mwalimu Katana Menza
 Chairman
 Board of Management

Mumba Fred Nzai
 Head of Finance
 ICPAK: 30736

Catherine Nangorombi Kitsao
 Medical Superintendent

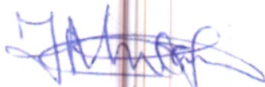
Marafa Sub-County Hospital (Kilifi County Government)
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15. Statement of Financial Position As At 30th June 2023

	Note	2022-2023 KShs
Assets		
Current assets		
Cash and cash equivalents	11	290,422
Receivables from Non exchange transactions	12	853,779
Total Current Assets		1,144,201
Total assets		1,144,201
Net assets		
Accumulated surplus		1,144,201
Total net assets and liabilities		1,144,201

The notes set out on pages 7 to 24 form an integral part of the Annual Financial Statements.

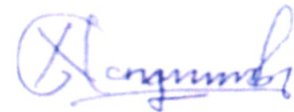
The Hospital's financial statements were approved by the Board on 25/09/2023 and signed on its behalf by:



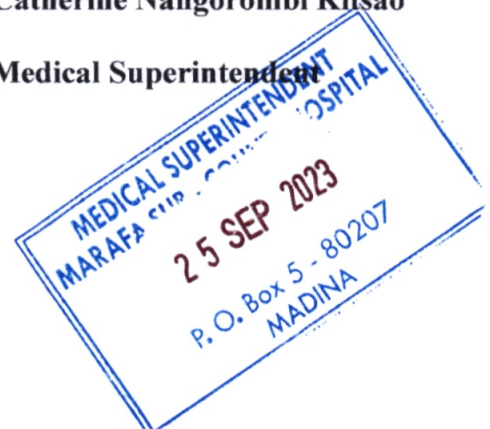
Mwalimu Katana Menza
Chairman
Board of Management



Mumba Fred Nzai
Head of Finance
ICPAK:30736



Catherine Nangorombi Kitsao
Medical Superintendent



Marafa Sub-County Hospital (Kilifi County Government)
Annual Report and Financial Statements for Fourteen Months Ended 30th June 2023

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

	Accumulated surplus
	KShs
Balance as at 1 July 2021	-
Adjustments	-
Surplus/(deficit) for the period	774,705
Balance as at 30 June 2022	774,705
Balance as at 1 July 2022	774,705
Surplus/(deficit) for the period	369,496
Balance as at 30 June 2023	1,144,201



Mwalimu Katana Menza
Chairman
Board of Management



Mumba Fred Nzai
Head of Finance
ICPAK: 30736



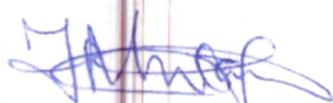
Catherine Nangorombi Kitsao
Medical Superintendent



Marafa Sub-County Hospital (Kilifi County Government)
Annual Report and Financial Statements for Fourteen Months Ended 30th June 2023

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

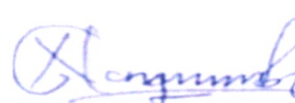
	Note	2022-2023 KShs
Cash flows from operating activities		
Receipts		
Transfers from HSIF Fund	5	1,196,240
Total Receipts		1,196,240
Payments		
Medical/ Clinical Costs	6	6,600
Employee costs	7	606,728
Board of Management Expenses	8	62,000
General Expenses	10	212,940
Repair and Maintenance	9	17,550
Total Payments		905,818
Net cash flows from operating activities	13	290,422
Net increase/(decrease) in cash and cash equivalents		290,422
Cash and cash equivalents at 1 JULY 2022		-
Cash and cash equivalents at 30 JUNE 2023	11	290,422



Mwalimu Katana Menza
Chairman
Board of Management



Mumba Fred Nzai
Head of Finance
ICPAK: 30736



Catherine Nangorombi Kitsao
Medical Superintendent



Marafa Sub-County Hospital (Kilifi County Government)
Annual Report and Financial Statements for Fourteen Months Ended 30th June 2023

18. Statement of Comparison of Budget and Actual Amounts for The Fourteen Months Ended 30 June 2023

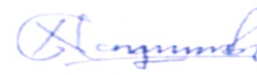
	Original budget 2023	Adjustments 2023	Final budget 2023	Actual on comparable basis 2023	Performance difference 2023	% utilisation 2023
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfers from County Govt & FIF Revenue	1,311,906	-	1,311,906	1,275,314	36,592	97%
Total income	1,311,906	-	1,311,906	1,275,314	36,592	97%
Expenses						
Medical/ Clinical Costs	20,300	-	20,300	6,600	13,700	33%
Employee costs	608,736	-	608,736	606,728	2,008	100%
Board of Management Expenses	76,000	-	76,000	62,000	14,000	82%
General Expenses	357,220	-	357,220	212,940	144,280	60%
Repair and Maintenance	249,650	-	249,650	17,550	232,100	7%
Total expenditure	1,311,906	-	1,311,906	905,818	406,088	69%
Surplus for the period		-	-	369,496	(369,496)	



Mwalimu Katana Menza
Chairman
Board of Management



Mumba Fred Nzai
Head of Finance
ICPAK:30736



Catherine Nangorombi Kitsao
Medical Superintendent



Marafa Sub-County Hospital (Kilifi County Government)
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The actual revenue fell short of the budgeted revenue by Kshs. 36,592 This represents a variance of approximately 3% below the budgeted amount. This was attributed to lower-than-expected cash collections and reimbursements from NHIF. Also, underperformance in revenue collections from sources like Public Health contributed to the short fall.

19. Notes to the Financial Statements

1. General Information

Marafa sub-county hospital is established by and derives its authority and accountability from HSIF Act. The entity is wholly owned by the Kilifi County Government and is domiciled in marafa Kenya. The entity's principal activity is to provide curative, preventive, promotive and rehabilitative health services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actually 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 Marafa SCH'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 Notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the hospital. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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Notes to Financial Statements Continued

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk

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Standard	Effective date and impact
	management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were</p>

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Standard	Effective date and impact
	<p align="center">inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

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Notes to Financial Statements Continued

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

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires:-</p> <ul style="list-style-type: none"> 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.

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Standard	Effective date and impact

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the fourteen months financial period ended June 2023

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Notes to Financial Statements Continued

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 Marafa SCH and can be measured reliably.

b. Budget information

The original budget for the period was approved by Board on 23rd march 2023. 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 Marafa SCH'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

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Notes to Financial Statements Continued

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 1 under section **14** 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.

d. Property, plant and equipment

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

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Notes to Financial Statements Continued

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

Financial 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.

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Notes to Financial Statements Continued

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.

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.

e. 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.

f. 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

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Notes to Financial Statements Continued

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.

recognizes a corresponding liability, adjusted by a cash consideration paid or received.

g. 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.

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Notes to Financial Statements Continued

5. Transfers from the County Government

Description	2022-2023 KShs
Grants – HSIF Fund	1,275,314
Total	1,275,314

6. Medical/ Clinical Costs

Description	2022-2023 KShs
Laboratory chemicals and reagents	6,600
Total	6,600

7. Employee Costs

Description	2022-2023 KShs
Salaries, wages, and allowances	549,588
Employer Contributions to Compulsory National Social Security Schemes	57,140
Total	606,728

8. Board of Management Expenses

Description	2022-2023 KShs
Sitting allowance	62,000
Total	62,000

9. Repairs And Maintenance

Description	2022-2023 KShs
Buildings and stations	1,800
Computers	13,000
Motor vehicle	2,750
Total	17,550

Marafa Sub-County Hospital (Kilifi County Government)
Annual Report and Financial Statements for Fourteen Months Ended 30th June 2023

Notes to Financial Statements Continued

10. General Expenses

Description	2022-2023 KShs
Telephone and mobile phone services	8,500
Foods and Rations	3,860
Travel and accommodation allowance	20,100
Domestic travel and subsistence allowance	164,200
Printing, advertising and information supplies & services	6,025
General Office Supplies (papers, pencils, forms, small office equipment etc)	7,365
Bank charges	2,890
Total	212,940

11. Cash And Cash Equivalents

Description	2022-2023 KShs
Current account	290,422
Total cash and cash equivalents	290,422

Description	Account number	2022-2023 KShs
Current account		
Co-operative Bank		
KCG MARAFA SUB COUNTY HOSPITAL HSIF	1141654777600	290,422
Grand total		290,422

12. Receivables From Non-Exchange Transactions

Description	2022-2023 KShs
Current Receivables	
HSIF Grant receivable	79,074
DANIDA HSSP Account	5,709
Marafa HSSF account	768,996
Total receivables from exchange transactions	853,779

Marafa Sub-County Hospital (Kilifi County Government)
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Notes to Financial Statements Continued

13. Cash Generated from Operations

	2022-2023 KShs
Surplus for the year before tax	369,496
Working Capital adjustments	
Increase in receivables	(79,074)
Increase in payables	-
Net cash flow from operating activities	290,422

14. 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 counterpart 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

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economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 (previous year)				
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2023 (current year)				
Receivables from –non-exchange transactions	853,779	-	-	-
Bank balances	290,422	-	-	-
Total	1,144,201	-	-	-

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Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from 30th June 2023. 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) Capital Risk Management

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

Description	FY:2022-2023
	Kshs
Retained earnings	369,496
Total funds	369,496
Less: cash and bank balances	(290,422)
Net debt/ (<i>excess cash and cash equivalents</i>)	79,074
Gearing	21.6%

Marafa Sub-County Hospital (Kilifi County Government)
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15. 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.

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

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

Description	2023-2022 FY
	Kshs
Transactions with related parties	
a) Grants from the HSIF fund	
Grants from HSIF	1,275,314.00
Total	1,275,314.00

16. Events after the Reporting Period

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

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17. Ultimate and Holding Entity

The entity is a fund within the department of health. Its ultimate parent is the County Government of Kilifi

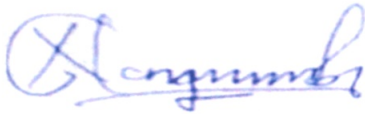
18. Currency

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

iv. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

This is a new hospital reporting for the first time



Catherine Nangorombi Kitsao

Accounting Officer

