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REPORT

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ON

MASABA SUB-COUNTY LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF NYAMIRA





OFFICE OF THE AUDITOR GENERAL
P.O. Box 30084 - 00102, NAIROBI
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MASABA DISTRICT HOSPITAL-LEVEL 4 (County Government of Nyamira)

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)

DATE	18/09/24
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COMMITTEE	—
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1. Acronyms & Glossary of Terms

IPSAS :	International Public Sector Accounting Standards
FY:	Financial Year
SDG :	Sustainable Development Goal
MED SUP:	Medical Superintendent
Fiduciary Management:	Key management personnel who have financial responsibility in the entity.
AWP:	Annual Work plan
PPE :	Personal protective Equipment
PFM ACT :	Public Finance Management Act

Corporate Social Responsibility: Is a form of international private business self-regulation which aims to contribute to societal goals of a philanthropic ,activist, or charitable nature.

2. Key Hospital Information and Management

(a) Background information

Masaba District Hospital is a Ministry of Health primary care hospital located in Rigoma, Masaba North sub county in Nyamira County. The hospital was established in 1954 as Health Centre and is regulated by Ministry of Health under registration number 13678. The hospital serves a population of about 100,000 people in the sub-county and its environs.

(b) Principal Activities

The principal activity of the hospital is to provide quality, affordable and accessible health care services to the community. The Hospital's vision is to be a center of excellence in health service delivery in the region. The hospital's mission is to promote health and well-being through prevention, diagnosis, treatment and rehabilitation of diseases and injuries². The hospital's core objectives are to:

- Improve maternal and child health outcomes
- Reduce the burden of communicable and non-communicable diseases
- Strengthen health systems and infrastructure
- Enhance community participation and health education
- Foster partnerships and collaborations with other stakeholders

(c) Key Management

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

- County department of health: The county department of health oversees the planning, budgeting, monitoring and evaluation of health services in the county. It also provides technical support, supervision and guidance to the hospital and other health facilities in the county.
- Board of Management: The board of management is the governing body of the hospital. It consists of representatives from the county government, Ministry of Health, community, staff and other stakeholders. The board is responsible for setting policies, strategies, goals and objectives for the hospital. It also ensures accountability, transparency and good governance in the hospital's operations.
- Accounting Officer/ Medical Superintendent: The accounting officer/ medical superintendent is the head of the hospital. He/she is appointed by the county government and reports to the board of management. He/she is responsible for the overall management, administration and coordination of the hospital's activities. He/she also oversees the clinical, financial, human resource and logistical aspects of the hospital.
- Hospital Management: The management consists of heads of departments, units and sections in the hospital. They are responsible for planning, organizing, directing and controlling the functions and operations of their respective areas. They also ensure effective implementation of policies, standards, guidelines and protocols in their areas.
- Others: The hospital also has other key staff such as doctors, nurses, pharmacists, laboratory technicians, radiographers, physiotherapists, nutritionists, social workers, counsellors, records officers, accountants, procurement officers, storekeepers, drivers, cleaners and security guards. They are responsible for providing quality health care services to the patients and clients in the hospital.

(d) 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. Charles Ogachi
2.	Accounting officer (Department of health)	Mr. Andrew Ongere Nyakundi
3.	Head of Accounting services	CPA Purity Moraa Nyamboga
4.	Head of supply chain	Ms. Peres Mose
5.	Hospital Patron	Mr. Evans Mon'gare
6.	Health Administrative officer(HAO)	Mr. Abiud Babu
7.	Hospital accountant	Ms.Emily Mwebi
8.	Treasury Accountant	Mr. Joseph Ogweche
9.	Director internal audit	CPA Ann Nyanchama

(e) Fiduciary Oversight Arrangements

The fiduciary oversight of the county is done by:

i) The County Assembly

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

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

- (f) Masaba District Hospital Headquarters
P.O. 228-40200
Hospital Building
Keroka Highway
Nairobi , KENYA
- (g) Masaba District Hospital Contacts
Telephone: (+254) 0711583554
E-mail: medsupmasaba@gmail.com
- (h) Masaba District Hospital Bankers
Kenya Commercial Bank – Keroka branch
- (i) Independent Auditors
Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya
- (j) County Attorney
The County Attorney
Office of County Attorney
County Government of Nyamira
P.O. Box. 434-40500
Nyamira, Kenya

3.The Board of Management

 <p>CPA. EMILY MORAA ONGAGA Executive Committee Member: Finance, ICT and Economic Planning</p>	<p><i>Academic Qualifications</i> Mrs Emily Moraa Ongaga holds a Master of Business Administration (Finance) degree from Egerton University and a Bachelor of Arts (Economics & Sociology) degree from the University of Nairobi.</p> <p><i>Professional Experience</i> Prior to her appointment, she served as the Director Corporate Services in the National Commission for Science, Technology and Innovation. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She has a wealth of experience from various institutions spanning twenty-one years.</p>
 <p>Dr. Timothy Mokuu Ombati Executive Committee Member For Health Services</p>	<p><i>Academic Qualifications:</i> He is a medical practitioner having studied Bachelor's Degree in Medicine and surgery from Kampala International University, Masters in Health Systems Management from Kenya Methodist University and on going with Masters in public health at Kisii University.</p> <p><i>Professional Experience:</i> Worked as a general practitioner in various Hospitals within Nyamira County and rose to Medical Superintendent and also offered voluntary services to UNHCR at Hagadera sololo mission hospital and Ethiopia's Oromia state.</p>



PHILIP NYAMATO
Chairman
Hospital management Board

Academic Qualifications:
Bachelor of Education

Professional Qualification:
Taught in various secondary schools.
Became a principal until retirement



IMELDAH K SIMBA
Member
Hospital management Board

Academic Qualifications:
P1 teacher, A-level


Professional Qualification:
Worked as a teacher until retirement



DR Charles Ogachi
Medical Superintendent
Masaba District Hospital
Secretary
Hospital management Board

Academic Qualifications:
Bachelor of Medicine

Professional Qualification:
Medical officer of health. Works as a medical
superintendent in Masaba District Hospital

 <p>Dr Stella Omari Member Hospital management Board</p>	<p>Academic Qualifications: Bachelor of Education PHD Professional Qualification: Currently Lecturer in Kisii University</p>
<p>Aogah Andrew Member Hospital management Board</p>	<p>Academic Qualifications: Bachelor of law-LLB Professional Qualification: Works as a lawyer</p>
<p>Benard Mayaka Simwamu Member Hospital management Board</p>	<p>Academic Qualifications: Administration Professional Qualification: Administrator</p>

4. Key Management Team

Dr Charles Ogachi	Medical superintendent
Mr.Abiud Babu	Administration and Hr
Ms Emily Mwebi	Finance and revenue
Mr Abner Frank	Procurement
Mr.Evans Mongare	Nursing
Mr.Enosh Onyancha	Health Testing services
Dr Opiyo Michael	Dentist
Mr.Isaac Ombati	Radiologist
Mr.Wilfred Ogega	Pharmacist Technologist
Ms Sheila Chelagat	Social Worker
Roselyne Omari	Public Health Officer
Carolyne Nyamwanda	Laboratory technician

5. Chairman's Statement

It is my pleasure to present to you the annual financial report of Masaba District Hospital for the year ended June 2023. This report reflects the performance, achievements and challenges of the Masaba District Hospital in delivering quality, affordable and accessible health care services to the community.

The year 2023 was a challenging but rewarding year for the Masaba District Hospital, as it faced the unprecedented impact of the Covid-19 pandemic. The Masaba District Hospital showed courage, adaptability and excellence in meeting the health needs of the population. Some of the notable achievements during the year include:

- The Masaba District Hospital received the Laboratory ISO 9001:2015 certification for quality management systems, becoming one of the few public hospitals in the country to attain this standard.
- The Masaba District Hospital upgraded its infrastructure and equipment, with the construction of a new maternity wing, accident and emergency/ theatre wing, modern mortuary and an incinerator. The Masaba District Hospital also procured laboratory machines, surgical instruments and medical supplies.
- The Masaba District Hospital enhanced its service delivery and patient satisfaction, with the adoption of a digital health information system, a customer care desk and a feedback mechanism. The Masaba District Hospital also improved its waiting times, infection prevention and control measures and referral system.
- The Masaba District Hospital boosted its human resource capacity and capability, with the County posting new staff including doctors, nurses, pharmacists and allied health professionals. The Masaba District Hospital also offered training and development opportunities for its staff, such as workshops, seminars and mentorship programs.
- The Masaba District Hospital fostered its partnerships and collaborations with various stakeholders, such as the county government, the Ministry of Health, development partners, academic institutions, civil society organizations and community groups. The Masaba District Hospital received financial, technical and material support from these partners, as well as engaging in joint initiatives, such as outreach programs and advocacy campaigns.

The Masaba District Hospital also encountered some difficulties during the year, such as:

- The Covid-19 pandemic posed a major challenge to the health and safety of the staff and patients. The Masaba District Hospital had to cope with increased cases of Covid-19 infections, limited supplies of personal protective equipment (PPE), testing kits and vaccines, and psycho-social stress among the staff.
- The Masaba District Hospital faced some financial constraints due to reduced revenue collection, no disbursement of funds from the county government and increased operational costs. The Masaba District Hospital had to implement some cost-cutting measures, such as rationalizing expenditure, optimizing resource utilization and diversifying income sources.
- The Masaba District Hospital also had to adhere to the new health laws, standards and guidelines.

The Masaba District Hospital has a clear vision for the future and is determined to achieve its goals and objectives. Some of the plans for the next year include:

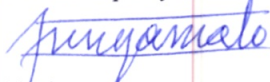
- Maintaining its quality of care and patient safety by implementing best practices, conducting audits and evaluations, obtaining accreditation from relevant bodies and addressing any gaps or weaknesses identified.

- Expanding its access and coverage by increasing its catchment area, establishing satellite clinics, mobilizing community health workers and volunteers and enhancing its outreach services.
- Promoting its innovation and research by embracing new technologies, developing new products and services, conducting evidence-based studies and disseminating findings and recommendations.
- The Masaba District Hospital will develop its human resource capacity and capability by attracting and retaining qualified staff, providing competitive incentives, creating conducive working environment and culture and fostering teamwork and collaboration.
- The Masaba District Hospital will strengthen its partnerships and collaborations by maintaining good relations with existing partners, identifying new potential partners, engaging in constructive dialogue and consultation and pursuing mutual benefits and interests.

In conclusion, I would like to express my sincere appreciation to all our stakeholders for their continued support and cooperation. I would also like to commend our staff for their commitment and professionalism. I would also like to thank my fellow board members for their guidance and oversight. Together, we can make Masaba District Hospital a center of excellence in health service delivery in the region.

Signed,

Mr. Philip Nyamato



Chairman
Board of Management
Masaba District Hospital

6. Report of the Medical Superintendent

I am delighted to share with you the annual report of Masaba District Hospital for the year 2023. This report highlights the achievements, challenges and plans of the Masaba District Hospital in providing quality, affordable and accessible health care services to the community.

The Masaba District Hospital enjoyed many rewards and overcame many challenges in the year 2023, as we demonstrated resilience, adaptability and excellence in responding to the Covid-19 pandemic. The hospital achieved several milestones during the year, such as:

- The Masaba District Hospital attained the Laboratory ISO 9001:2015 certification for quality management systems, becoming one of the few public hospitals in the country to achieve this standard. This certification reflects our commitment to quality and continuous improvement in our laboratory services.
- The Masaba District Hospital improved its infrastructure and equipment, with the completion of a new maternity wing, accident and emergency/ theatre wing, modern mortuary and an incinerator. The Masaba District hospital also acquired new laboratory machines, surgical instruments and medical supplies. These investments enhanced our capacity and capability to deliver a wide range of services to our patients.
- The Masaba District Hospital increased its service delivery and patient satisfaction, with the implementation of a digital health information system, a customer care desk and a feedback mechanism. The Masaba District Hospital also reduced its waiting times, improved its infection prevention and control measures and strengthened its referral system. These initiatives improved our efficiency and effectiveness in serving our patients.
- The Masaba District Hospital strengthened its human resource capacity and capability, with the County posting new staff including doctors, nurses, pharmacists and allied health professionals. The Masaba District Hospital also provided training and development opportunities for its staff, such as workshops, seminars and mentorship programs. These interventions enhanced our staff's skills, knowledge and motivation.
- The Masaba District Hospital consolidated its partnerships and collaborations with various stakeholders, such as the county government, the Ministry of Health, development partners, academic institutions, civil society organizations and community groups. The Masaba District Hospital received financial, technical and material support from these partners, as well as participated in joint initiatives, such as outreach programs and advocacy campaigns.

The Masaba District Hospital also faced some difficulties during the year, such as:

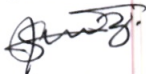
- The Covid-19 pandemic posed a major challenge to the health and safety of our staff and patients. The hospital had to cope with increased cases of Covid-19 infections, limited supplies of personal protective equipment (PPE), testing kits and vaccines, and psychosocial stress among our staff.
- The Masaba District Hospital managed its finances prudently despite lower revenue collection, delayed funds from the county government and higher operational costs. The Masaba District Hospital had to implement some cost-cutting measures, such as rationalizing expenditure, optimizing resource utilization and diversifying income sources.
- The Masaba District Hospital complied with the new health laws, standards and guidelines.

The Masaba District Hospital has a clear vision for the future and is determined to achieve its goals and objectives. Some of the plans for the next year include:

- The Masaba District Hospital will maintain its quality of care and patient safety by implementing best practices, conducting audits and evaluations, obtaining accreditation from relevant bodies and addressing any gaps or weaknesses identified.
- The Masaba District Hospital will expand its access and coverage by increasing its catchment area, establishing satellite clinics, mobilizing community health workers and volunteers and enhancing its outreach services.
- The Masaba District hospital will promote its innovation and research by embracing new technologies, developing new products and services, conducting evidence-based studies and disseminating findings and recommendations.
- The Masaba District Hospital will develop its leadership and governance by strengthening its management structures, systems and processes, enhancing its accountability and transparency mechanisms and fostering a culture of teamwork and collaboration.

The Masaba District Hospital is grateful for the support and cooperation of all our stakeholders in achieving our mission and vision. We look forward to working together in the coming year to improve the health outcomes of our community.

Thank you.



Dr. Charles Ogachi Ogega
Medical Superintendent
Masaba District Hospital

7. 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.

Masaba District Hospital has 2 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;

Pillar /theme/issue 1: To improve the quality of care and patient safety

Pillar/theme/issue 2: To enhance the access and coverage of health services

Masaba District Hospital develops its annual work plans based on the above 2 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Masaba District Hospital* achieved its performance targets set for the FY 2022/2023 period for its 2 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: To improve the quality of care and patient safety	To ensure that the hospital provides high-quality, evidence-based and patient-centered health care services to the community	Number of patients who received quality care according to the national standards and guidelines	- Implementing best practices, conducting audits and evaluations, obtaining accreditation from relevant bodies and addressing any gaps or weaknesses identified	- The hospital attained the Laboratory ISO 9001:2015 certification for quality management systems, becoming one of the few public hospitals in the country to achieve this standard. The hospital also improved its

					infection prevention and control measures, reduced its waiting times and increased its patient satisfaction scores
Pillar/theme/issue 2: To enhance the access and coverage of health services	To ensure that the hospital reaches out to more people in need of health care services, especially the vulnerable and marginalized groups	- Number of people who accessed health services from the hospital or its satellite clinics	- Increasing the catchment area, establishing satellite clinics, mobilizing community health workers and volunteers and enhancing outreach services	- The hospital expanded its catchment area to include four more wards, established two satellite clinics in remote areas, mobilized 50 community health workers and volunteers and conducted 20 outreach programs in collaboration with partners	

8. Corporate Governance Statement

Masaba District Hospital is committed to upholding the highest standards of corporate governance and ethical conduct in its operations and service delivery. The Masaba District Hospital recognizes that good governance is essential for achieving its mission and vision, enhancing its performance and accountability, and ensuring its sustainability and legitimacy.

a) Board of Management

The Board of Management is composed of non-executive members elected by the governor of Nyamira 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
- Review at regular meetings Management's performance against approved budget. The full Board meets at least 4 times a year and the Chairperson has bi-weekly meetings/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 Masaba District 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 Masaba District 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 4 meetings attended by selected members.

c) Board Remuneration

Non-Executive Members provide services to the hospital to which they are entitled to an allowances the allowance is paid as per the government of Kenya allowance circulars.

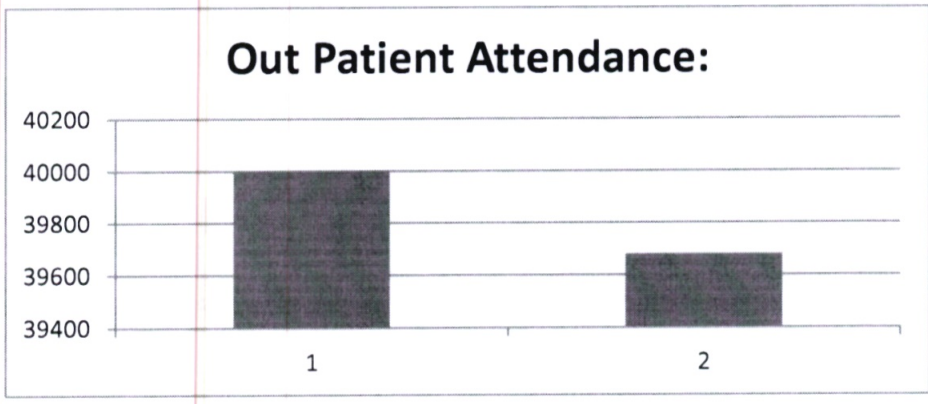
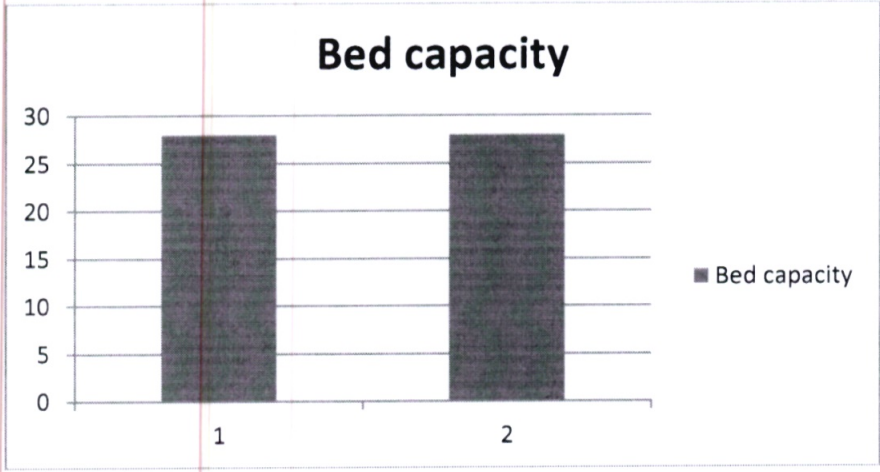
d) Committees of the Board

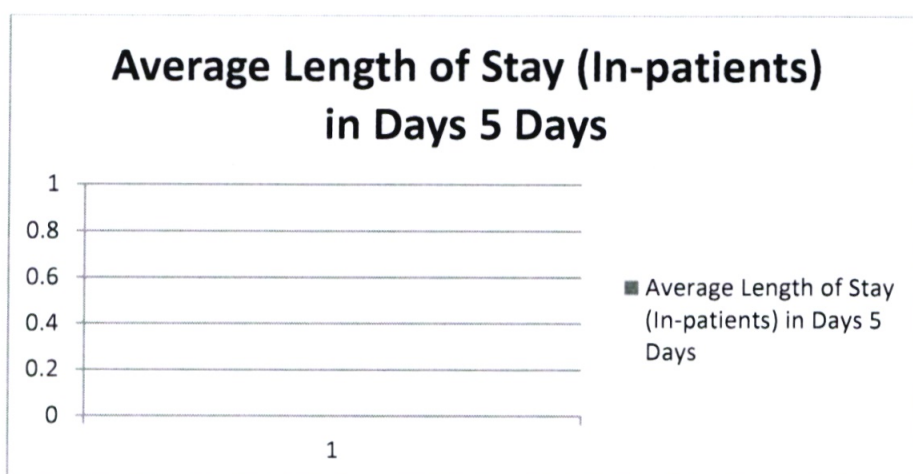
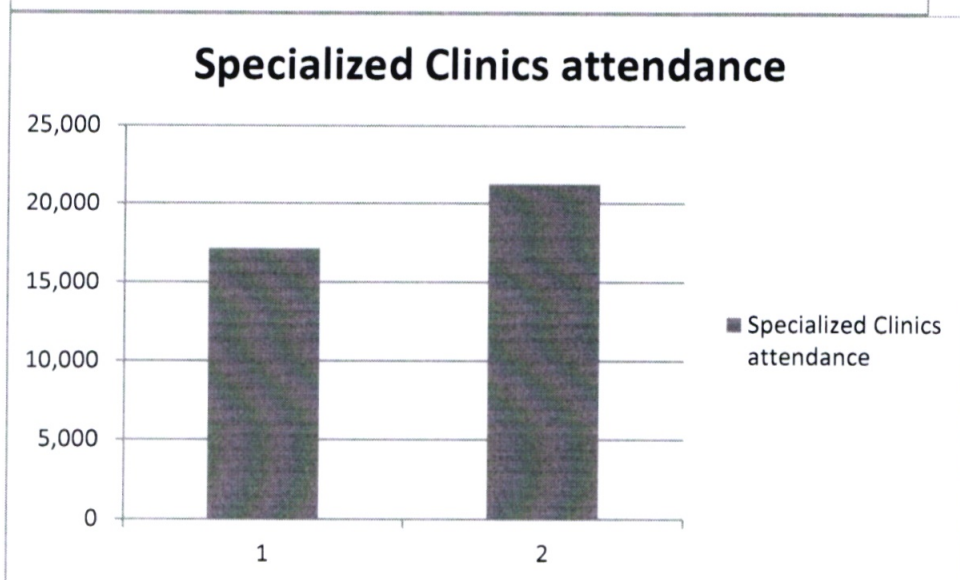
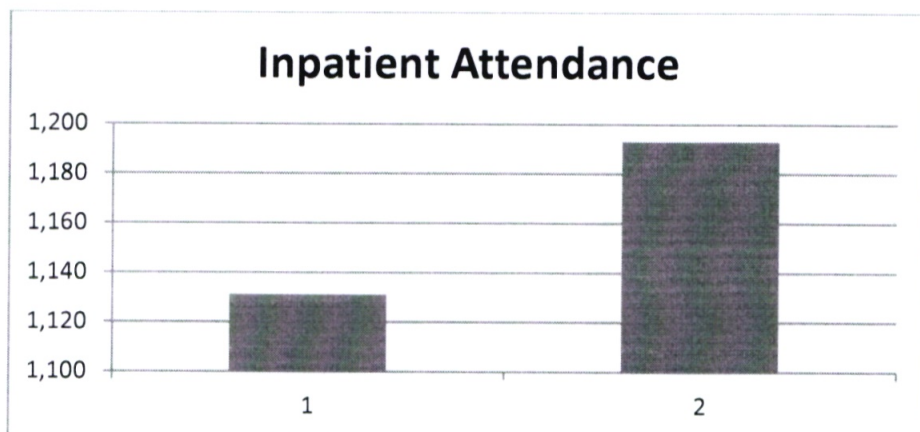
The Board has five standing committees, which meet regularly under the terms of reference set by the Board. The standing committees as follows:

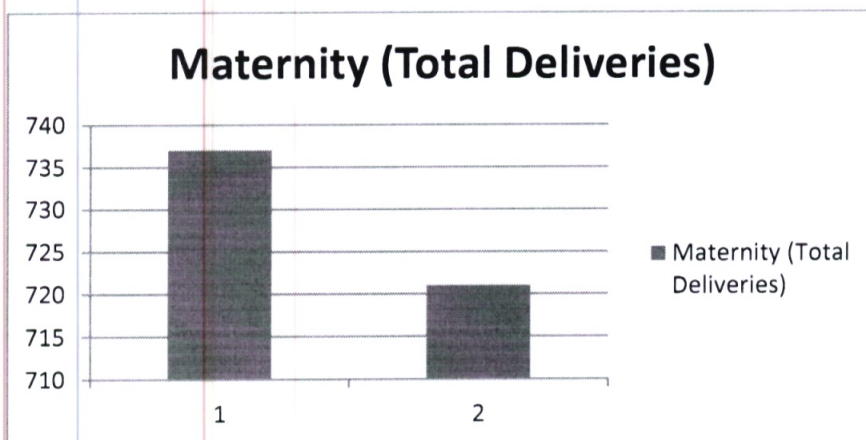
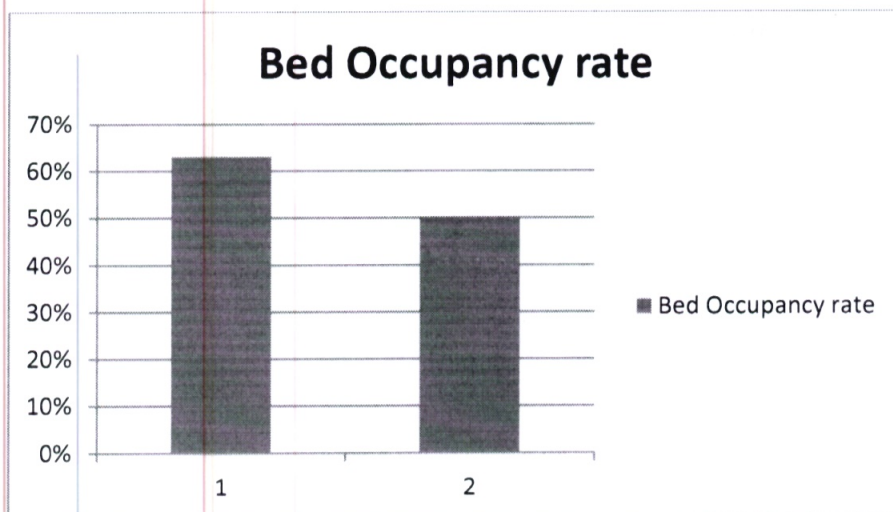
- Finance and General Purpose sub-committee
- Quality and assurance sub-committee
- Executive sub-committee
- special purpose sub-committee.

9. Management Discussion and Analysis
 Clinical/operational performance

		FY 2022-2023	FY 2021-2022
Bed capacity		28	28
Patient Attendance: Inpatient and Out- patient	OPD Visits	39,679	40,000
	IPD	1,193	1,131
Specialized Clinics attendance		21,246	17,148
Average Length of Stay (In-patients) in Days		5 Days	5 Days
Bed Occupancy rate		50%	63%
Mortality rate		1 %	1 %
Maternity (Total Deliveries)		721	737
Sponsorships and partnerships		Nuru ya motto	Nuru ya motto







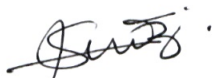
Masaba District Hospital (County Government of Nyamira)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Financial performance

The Masaba District Hospital has 2 revenue streams ,NHIF and cash collection. The total collection was as follows:

REVENUE STREAM	KSHS
NHIF	6,080,120
CASH	5,161,072
IN KIND RECEIPTS	18,919,246
TOTAL	30,160,438

Thank you.



Dr. Charles Ogachi Ogega
Medical Superintendent
Masaba District Hospital

10. Environmental and Sustainability Reporting

Masaba District Hospital is committed to transforming lives by delivering quality, affordable and accessible health care services to the community. The Masaba District Hospital also recognizes its responsibility to protect and conserve the environment, promote the welfare of its employees, uphold ethical market practices and engage with the society. This report outlines the Masaba District Hospital's policies and activities that promoted sustainability in the year 2023.

Sustainability Strategy and Profile

The Masaba District Hospital's sustainability strategy is guided by its vision, mission and values, as well as the national and county health policies and plans. The Masaba District Hospital also aligns its sustainability efforts with the United Nations Sustainable Development Goals (SDGs), especially SDG 3 (Good Health and Well-being), SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).

The Masaba District Hospital faces various challenges and opportunities in implementing its sustainability strategy, such as:

- The Covid-19 pandemic, which has increased the demand for health services, strained the resources and capacity of the hospital, and exposed the staff and patients to health and safety risks.
- The climate change, which has caused extreme weather events, such as floods and droughts that affect the availability of water, energy and food, as well as the spread of diseases.
- The population growth, which has increased the need for health services, especially for maternal, child and reproductive health, as well as the prevention and treatment of communicable and non-communicable diseases.
- The technological advancement, which has enabled the Masaba District Hospital to adopt new innovations, such as digital health information systems, laboratory machines, surgical instruments and renewable energy sources that improve the efficiency and effectiveness of service delivery.
- The stakeholder engagement, which has enhanced the collaboration and partnership of the hospital with various actors, such as the county government, the Ministry of Health, development partners, academic institutions, civil society organizations and community groups.

Some of the key achievements of the hospital in its sustainability strategy in the year 2023 include:

- The Masaba District Hospital attained the Laboratory ISO 9001:2015 certification for quality management systems, becoming one of the few public hospitals in the country to achieve this standard. This certification reflects the hospital's commitment to quality and continuous improvement in its laboratory services.
- The Masaba District Hospital improved its infrastructure and equipment, with the completion of a new maternity wing, accident and emergency/ theatre wing, modern mortuary and an incinerator. The Masaba District Hospital also acquired new laboratory machines, surgical instruments and medical supplies. These investments enhanced the hospital's capacity and capability to deliver a wide range of services to its patients.

- The Masaba District Hospital increased its service delivery and patient satisfaction, with the implementation of a digital health information system, a customer care desk and a feedback mechanism. The Masaba District Hospital also reduced its waiting times, improved its infection prevention and control measures and strengthened its referral system. These initiatives improved the Masaba District Hospital's efficiency and effectiveness in serving its patients.
- The Masaba District Hospital strengthened its human resource capacity and capability, with the County posting new staff including doctors, nurses, pharmacists and allied health professionals. The Masaba District Hospital also provided training and development opportunities for its staff, such as workshops, seminars and mentorship programs. These interventions enhanced the staff's skills, knowledge and motivation.
- The Masaba District Hospital consolidated its partnerships and collaborations with various stakeholders, such as the county government, the Ministry of Health, development partners, academic institutions, civil society organizations and community groups. The Masaba District Hospital received financial, technical and material support from these partners, as well as participated in joint initiatives, such as outreach programs and advocacy campaigns.

Some of the areas that need improvement in the hospital's sustainability strategy include:

- The Covid-19 pandemic response, which requires more resources and capacity to cope with increased cases of Covid-19 infections, limited supplies of personal protective equipment (PPE), testing kits and vaccines, and psychosocial stress among staff.
- The environmental management, which requires more efforts to reduce the environmental impact of the hospital's operations and products, such as waste management, energy efficiency and carbon footprint reduction.
- The market practices, which require more compliance with ethical standards and regulations in areas such as responsible competition, supply chain management, marketing and advertisement, product stewardship and consumer rights.

The Masaba District Hospital has a clear vision for the future and is determined to achieve its sustainability goals and objectives. Some of the plans for the next year include:

- The Masaba District Hospital will maintain its quality of care and patient safety by implementing best practices, conducting audits and evaluations, obtaining accreditation from relevant bodies and addressing any gaps or weaknesses identified.
- The Masaba District Hospital will expand its access and coverage by increasing its catchment area, establishing satellite clinics, mobilizing community health workers and volunteers and its outreach services.
- The Masaba District Hospital will promote its innovation and research by embracing new technologies, developing new products and services, conducting evidence-based studies and disseminating findings and recommendations.
- The Masaba District Hospital will develop its leadership and governance by strengthening its management structures, systems and processes, enhancing its accountability and transparency mechanisms and fostering a culture of teamwork and collaboration.
- The Masaba District Hospital will improve its environmental performance by implementing a waste management policy, installing solar panels and biogas digesters, conducting an environmental audit and reducing its carbon footprint.

- The Masaba District hospital will uphold its market practices by complying with the relevant laws, standards and guidelines, ensuring responsible competition, supply chain management, marketing and advertisement, product stewardship and consumer rights.

Environmental Performance

The Masaba District Hospital has an environmental policy that guides its operations and products in relation to the environment. The policy states the hospital's commitment to:

- Comply with the applicable environmental laws, regulations, standards and policies.
- Prevent and minimize the environmental impact of its operations and products, such as waste generation, energy consumption, water usage and greenhouse gas emissions.
- Conserve and protect the natural resources and biodiversity in its surroundings.
- Promote environmental awareness and education among its staff, patients and stakeholders.
- Continuously monitor, evaluate and improve its environmental performance.

The Masaba District Hospital has achieved some successes in its environmental performance, such as:

- Receiving the Laboratory ISO 9001:2015 certification for quality management systems, which includes environmental aspects such as waste management, energy efficiency and pollution prevention.
- Improving its infrastructure and equipment, with the construction of a new maternity wing, accident and emergency/ theatre wing, modern mortuary and an incinerator. The new facilities have improved ventilation, lighting and sanitation systems that reduce energy consumption and waste generation. The incinerator has a scrubber system that reduces air pollution from burning medical waste.
- The Masaba District Hospital plans to install solar panels on the roof of the main building, which will provide renewable energy for lighting and heating. It also plans to install biogas digesters that will convert organic waste into biogas for cooking. These initiatives will reduce its dependence on grid electricity and fossil fuels.
- It conducted an environmental audit in collaboration with the National Environment Management Authority (NEMA), which assessed the Masaba District Hospital's compliance with the environmental laws and regulations, as well as identified areas for improvement.

The Masaba District Hospital also faced some shortcomings in its environmental performance, such as:

- It generated a large amount of waste from its operations and products, such as medical waste, plastic waste, paper waste and food waste. It did not have a comprehensive waste management policy or system that would ensure proper segregation, collection, transportation, treatment and disposal of waste. It also did not have a recycling or reuse program that would reduce waste generation and save costs.
- It consumed a lot of energy from grid electricity and fossil fuels for its operations and products, such as lighting, heating, cooling, refrigeration, laboratory machines and surgical instruments. It did not have an energy efficiency policy or system that would monitor and reduce energy consumption and costs. It also did not have an energy audit or a carbon footprint assessment that would measure and mitigate its greenhouse gas emissions and climate impact.

The Masaba District Hospital is committed to improving its environmental performance by implementing the following actions:

- To develop and implement a waste management policy that will outline the roles and responsibilities of staff, patients and stakeholders in relation to waste management. The policy will also provide guidelines on how to segregate, collect, transport, treat and dispose of waste according to the type and category of waste. The policy will also encourage recycling or reuse of waste where possible.
- To install biogas digesters that will convert organic waste into biogas for cooking. This will reduce the amount of waste sent to the incinerator or landfill, as well as reduce the use of fossil fuels for cooking.
- To conduct an energy audit that will measure the energy consumption and costs of the Masaba District Hospital's operations and products. The audit will also identify areas where energy efficiency can be improved or alternative sources of energy can be used. The audit will also assess the carbon footprint and climate impact of the hospital's operations and products.
- To implement energy efficiency measures that will reduce the energy consumption and costs of its operations and products. These measures may include replacing old or inefficient appliances with new or efficient ones, installing energy-saving devices such as LED bulbs or motion sensors, adjusting thermostats or timers to optimize heating or cooling levels, switching off appliances when not in use or during off-peak hours, etc.
- To reduce its carbon footprint and climate impact by using renewable sources of energy such as solar panels or biogas digesters, offsetting its emissions through carbon credits or tree planting, and participating in climate action initiatives such as awareness campaigns or advocacy programs.

Employee Welfare

The Masaba District Hospital values its employees as its most important asset and strives to provide them with a conducive work environment, fair compensation, career development opportunities, health and safety protection.

The Masaba District Hospital has the following policies and practices that guide its employee welfare:

The hospital provides training and development opportunities to its staff, such as workshops, seminars, mentorship programs, online courses. The hospital also supports its staff to pursue further education or specialization in their fields of interest. The hospital allocates 2% of its annual budget for staff training and development.

The hospital conducts regular performance appraisal and feedback for its staff, using a balanced scorecard system that measures the staff's achievements against their set targets and objectives. The hospital also rewards its staff for their outstanding performance, such as recognition awards, certificates, plaques and incentives.

The hospital ensures the health and safety of its staff by complying with the Occupational Safety and Health Act of 2007 (OSHA), which sets the standards and guidelines for workplace safety and health. The hospital also provides personal protective equipment (PPE), testing kits and vaccines to its staff who are exposed to health risks, such as Covid-19 infections. The hospital also offers psychosocial support and counselling services to its staff who experience stress or trauma in their work.

The hospital fosters a positive work culture and environment by promoting teamwork, collaboration, communication, respect, integrity and professionalism among its staff. The hospital also encourages its staff to participate in social activities, such as sports, clubs, events and celebrations.

Market Place Practices

The Masaba District Hospital adheres to ethical market practices that ensure fair competition, responsible supply chain management, responsible marketing and advertisement, product stewardship and consumer rights.

The hospital has the following policies and practices that guide its market place practices:

The hospital ensures responsible competition practices by complying with the relevant laws, regulations and standards that govern the health sector, such as the Health Act, 2017, the Public Procurement and Asset Disposal Act, 2015, and the Competition Act, 2010. The hospital also respects the rights and interests of its competitors and avoids any unfair or deceptive practices, such as collusion, price-fixing, bid-rigging or market abuse.

The hospital maintains good business practices and treats its suppliers responsibly by following a transparent and competitive procurement process that ensures value for money, quality and timeliness of goods and services. The hospital also honours its contracts and respects the payment terms and conditions of its suppliers. The hospital also encourages its suppliers to adopt sustainable and ethical practices in their operations and products, such as environmental management, social responsibility and human rights.

The hospital conducts responsible marketing and advertisement by providing accurate, truthful and relevant information about its services and products to its potential and existing customers. The hospital also respects the privacy and confidentiality of its customers and does not disclose or misuse their personal data. The hospital also avoids any misleading or offensive marketing or advertisement that may harm the reputation or dignity of the hospital or its customers.

The hospital ensures product stewardship by delivering safe, effective and quality health care services and products to its customers. The hospital also monitors and evaluates the performance and impact of its services and products on the health outcomes of its customers. The hospital also solicits and responds to the feedback and complaints of its customers and strives to improve their satisfaction and loyalty.

The hospital safeguards consumer rights and interests by complying with the Consumer Protection Act, 2012, which sets out the rights and obligations of consumers and providers of goods and services. The hospital also educates its customers about their rights and responsibilities as consumers of health care services and products. The hospital also provides a mechanism for resolving any disputes or grievances that may arise between the hospital and its customers.

Corporate Social Responsibility / Community Engagement

The hospital is committed to contributing to the social welfare and development of the community in which it operates. The hospital also recognizes its role as a corporate citizen and a partner in achieving the national and county development goals and priorities.

The hospital has the following policies and practices that guide its corporate social responsibility / community engagement:

The hospital follows a stakeholder engagement policy that identifies and prioritizes its key stakeholders, such as the county government, the Ministry of Health, development partners, academic institutions, civil society organizations, community groups and media. The policy also defines the objectives, methods and frequency of engagement with each stakeholder group. The policy also ensures that the hospital communicates effectively, transparently and respectfully with its stakeholders and solicits and responds to their feedback and concerns.

The hospital conducts various corporate social responsibility / community engagement activities that address the needs and interests of the community, such as:

Charitable giving: The hospital donates cash and material to support various causes and initiatives in the community, such as education, health, environment, sports, culture and disaster relief. The hospital allocates 1% of its annual revenue for charitable giving.

Corporate social investment: The hospital invests in projects and programs that create long-term social value and impact in the community, such as health promotion, disease prevention, capacity building, infrastructure development and research. The hospital allocates 2% of its annual profit for corporate social investment.

Other forms of community engagement: The hospital participates in other forms of community engagement, such as volunteering, mentoring, sponsoring, partnering and advocating. The hospital encourages its staff to volunteer their time and skills to support various community activities and events. The hospital also mentors and sponsors young people from the community who aspire to pursue careers in health or related fields. The hospital also partners with other organizations and groups to implement joint initiatives that benefit the community. The hospital also advocates for issues that affect the health and well-being of the community, such as access to health care, quality of care, health financing, health policy and health rights.

11. Report of the Board of Management

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

Principal activities

The principal activities of Masaba District hospital is provision of health care services to the general public.

Results

The results of the Masaba District Hospital for the year ended June 30,2023 are set out on page 1-5

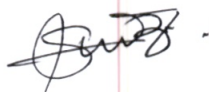
Board of Management

The members of the Board who served during the year are shown on page vi-viii

Auditors

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

By Order of the Board



Dr. Charles Ogachi Ogega
Medical Superintendent
Masaba District Hospital

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 Hospital, which give a true and fair view of the state of affairs of the Masaba District 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 Masaba District 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 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 *Masaba District Hospital* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the *Masaba District Hospital* financial statements give a true and fair view of the state of *Hospital* 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 *Masaba District Hospital* financial statements as well as the adequacy of the systems of internal financial control.

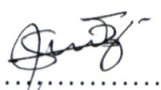
Nothing has come to the attention of the Board of management to indicate that Masaba District Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital’s financial statements were approved by the Board on 29/09/2023 and signed on its behalf by:


.....

Name: Philip Nyamato Obwaya
Chairperson
Board of Management


.....

Name: Dr Charles Ogachi
Medical Superintendent

REPUBLIC OF KENYA

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NAIROBI

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

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on 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 Masaba Sub-County Level 4 Hospital – County Government of Nyamira set out on pages 1 to 29, which comprise of

Report of the Auditor-General on Masaba Sub-County Level 4 Hospital for the year ended 30 June, 2023 - County Government of Nyamira

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Masaba Sub-County Level 4 Hospital – County Government of Nyamira 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, 2017.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of financial position indicates total net assets and liabilities balance of Kshs.632,431,731. However, the recalculated amount is Kshs.622,587,129 resulting in an unexplained variance amount of Kshs.9,844,602.

Further, the statement of financial performance reflects grants from donors and development partners amounting to Kshs.16,096,425. However, the amount is not disclosed in the statement of cash flows.

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

2. Variances in Rendering Services – Medical Service Income Amount

The statement of financial performance reflects an amount of Kshs.11,241,192 in respect to rendering services – medical service income as disclosed in Note 8 to the financial statements. The amount includes a balance of Kshs.6,080,120 in relation to National Health Insurance Fund (NHIF) reimbursement. However, review of the NHIF records revealed that the Hospital made a total claim amounting to Kshs.7,268,223 during the year resulting to an unexplained variance of Kshs.1,188,103.

In the circumstances, the accuracy and completeness of revenue from rendering services of Kshs.11,241,192 could not be confirmed.

3. Undisclosed In-Kind Contributions

The statement of financial performance and Note 6 to the financial statements reflect an amount of Kshs.2,822,821 in respect of in-kind contributions from the County Government. However, review of records provided for audit revealed that the County Government paid salaries for the Hospital employees amounting to Kshs.7,600,000 on

behalf of the Hospital. Management did not disclose the amount in the statement of financial performance.

In the circumstances, accuracy and completeness of the in-kind contribution amount of Kshs.2,822,821 could not be confirmed.

4. Unsupported and Unutilized Property, Plant and Equipment

The statement of financial position and Note 20 to the financial statements reflect property, plant and equipment balance of Kshs.618,829,312 and depreciation charge for the year of Kshs.62,804,188. However, Management did not provide a fixed assets register or a valuation report to support the balance. Management did not disclose the depreciation policy in the financial statements to support the depreciation charge.

In the circumstances, the accuracy of the property, plant and equipment balance of the Kshs.618,829,312 could not be confirmed.

5. Unsupported Inventories Balance

The statement of financial position and Note 19 to the financial statements reflects an inventory balance of Kshs.6,657,682. However, Management did not provide the stock valuation or end year stock taking reports to support the balance.

Further, review of stores records revealed that the Hospital did not carry out the annual stock count exercise and failed to maintain stores ledgers. In addition, physical verification of the pharmaceutical stores revealed that the store had expired drugs of unknown value.

In the circumstances the accuracy of the inventory balance of Kshs.6,657,682 could not be confirmed.

6. Unsupported Opening Balance in the Statement of Changes in Net Assets

The statement of changes in net assets reflects a balance of Kshs.681,633,500 in respect of the capital fund brought forward from the previous year. However, the balance was not supported with any verifiable evidence.

In the circumstances, the accuracy of the capital fund balance of Kshs.681,633,500 reflected in the statement of changes in net asset could not be confirmed.

7. Unsupported Revenue from Non-Exchange Transactions

The statement of financial performance reflects revenue from non-exchange transactions amounting to Kshs.18,919,246. However, the amounts are not supported with a ledger.

In the circumstances, the accuracy and completeness of revenue from non-exchange transactions amounts of Kshs.18,919,246 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Masaba Sub-County Level 4 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other

ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.117,337,694 and Kshs.30,160,438 resulting to an under-collection of Kshs.87,177,256 or 74% of the budget. However, the statement reflects actual expenditure of Kshs.26,402,621 resulting in an under-utilization of Kshs.3,597,379 representing 12% of the actual expenditure.

The underfunding and underutilization affected the planned activities of the Hospital and may have affected 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Submit Financial Statements for the Financial Year 2021/2022

The Hospital did not submit financial statements for the financial year 2021/2022 for audit as required by Section 47(1) of the Public Audit Act, 2015, which states that the financial statements required under the constitution, the Public Finance Management Act, 2012, and any other legislation shall be submitted to the Auditor-General within three months after the end of the financial year.

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

2. Long Outstanding Payables

The statement of financial position as disclosed in Note 21 to the financial statements reflects trade and other payables balance of Kshs.9,844,602. However, included in the balance are trade payables amounting to Kshs.6,914,662 which had been outstanding for more than three (3) years. This is contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in approved budget estimates

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

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

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality for Health Policy Guidelines. The Hospital operated with only thirty-four (34) staff members against the required one hundred and one (101) staff resulting to a staff deficits of sixty-seven (67) staff requirements or 66% of the authorized establishment.

Personnel	Recommended Staffing Level	Staff in the Institution	Variance	Percentage % Deficiency
Medical Officers	16	2	14	87
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Pediatricians	2	0	2	100
Radiologists	2	0	2	100
Registered Community Health Nurses	75	32	43	57
Total	101	34	67	66

Further, it was observed that the Hospital did not offer all services that are required of a level 4 hospital and lacked vital equipment and machines which are a requirement for a level 4 hospital. Further, the hospital had low bed capacity of forty-seven (47) instead of the recommended one hundred and fifty (150).

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 ability of the Hospital deliver on its mandate is doubtful.

4. Failure to Fully Utilize Equipment Supplied through Managed Equipment Services

The Hospital received various equipment and accessories between the years 2016 and 2022 from the National Government under the Managed Equipment Services (MES) project. However, physical verification of the equipment's revealed theatre equipment's as tabulated below that were still in boxes in the stores awaiting the completion of theatre rooms.

Managed Equipment Services			
S/No.	Details	Date	Lot
1	Surgical Replacement Set	04 April, 2016	Year 2
2	Surgical Replacement Set	21 June, 2018	Year 2
3	Surgical Replacement Set	28 March, 2019	2 Year 3
4	Surgical Replacement Set	15 July, 2020	2 Year 4
5	Theatre CSSD Equipment Surgical Instrument	01 October, 2021	2 Year 5
6	Theatre CSSD Equipment Surgical Instrument	24 May, 2022	2 Year 6
7	General X-rays Machine		
8	C-Arm X-ray and CT Scanning Machine		

In addition, the equipment have been regularly maintained by the supplier with the last maintenance being done in June, 2023. However, review of records revealed that the contract period has since lapsed and therefore in case of any breakdown of the machines already in use, such as the ultrasound services and x-ray, the Hospital's services will be adversely affected.

In the circumstances, the value for money on the equipment delivered by the National Government under the MES project and effective service delivery to the citizens could not be confirmed.

5. Lack of Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs. 11,241,192 in relation to the rendering of services - medical income as disclosed in Note 8 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County Treasury with a copy to the Auditor-General as per the requirement of Regulations 65(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 circumstance, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter 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

Lack of Internal Audit Function

During the year under review, Management did not establish an internal audit function and was relying on the internal audit services from the County Government of Nyamira. Further, no internal audit report in respect of the Hospital was provided for audit verification.

In the circumstances, the effectiveness of internal controls and risk management by the Hospital 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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 controls component does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

03 July, 2024

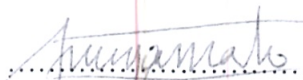
Masaba District Hospital (County Government of Nyamira)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description	Notes	2022/2023 Kshs
Revenue from non-exchange transactions		
In-kind contributions from the County Government	6	2,822,821
Grants from donors and development partners	7	16,096,425
		18,919,246
Revenue from exchange transactions		0
Rendering of services- Medical Service Income	8	11,241,192
		11,241,192
Total revenue		30,160,438
Expenses		
Medical/Clinical costs	9	1,855,070
Employee costs	10	2,362,115
Board of Management Expenses	11	60,000
Repairs and maintenance	12	392,490
General expenses	13	2,813,700
Grants and subsidies	14	18,919,246
Depreciation and amortization expense	15	62,804,188
Total expenses		89,206,809
Net Deficit for the year	16	(59,046,371)

The notes set out on pages 22 to 28 form an integral part of the financial statements.

The Hospital's financial statements were approved by the Board on 29th September 2023 and signed on its behalf by:



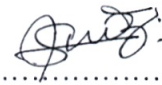
Mr. Philip Nyamato Obwaya
Chairman

Board of Management



CPA Purity M. Nyamboga
Head of Accounting
Services

ICPAK No. 20795



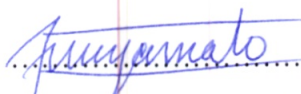
Dr. Charles Ogachi
Medical Superintendent

Masaba District Hospital (County Government of Nyamira)
Annual Report and Financial Statements for The Year Ended 30th June 2023

15. Statement of Financial Position as at 30th June 2023

Assets		
Current assets		
Cash and cash equivalents	17	3,751,539
Receivables from exchange transactions	18	3,193,198
Inventory	19	6,657,682
Total Current Assets		13,602,419
Non-current assets		
Property, plant, and equipment	20	618,829,312
Total Non-current Assets		618,829,312
Total assets		632,431,731
Liabilities		
Current liabilities		
Trade and other payables	21	9,844,602
Total Current Liabilities		9,844,602
Non-current liabilities		0
Total Non-current liabilities		0
Total Liabilities		9,844,602
Net assets		622,587,129
Accumulated surplus/deficit		(59,046,371)
Capital fund		681,633,500
Total Net Assets and Liabilities		632,431,731

The Hospital's financial statements were approved by the Board on 29/09/2023 and signed on its behalf by:



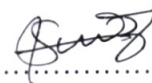
Mr. Philip Nyamato Obwaya
Chairman

Board of management



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Head of Accounting
Services

ICPAK No. 20795



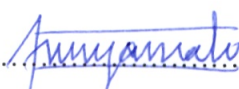
Dr. Charles Ogachi
Medical Superintendent

Masaba District Hospital (County Government of Nyamira)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

As at June 30, 2023	0		681,633,500	681,633,500
At July 1, 2022	-		681,633,500	681,633,500
Revaluation gain	-	-	-	0
Surplus/(deficit) for the year	-	(59,046,371)	-	(59,046,371)
Capital/Development grants	-	-	-	-
At June 30, 2023	-	(59,046,371)	681,633,500	622,587,129

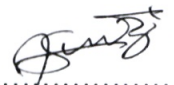
The Hospital's financial statements were approved by the Board on 29/09/2023 and signed on its behalf by:



.....
 Mr. Philip Nyamato Obwaya
 Chairman
 Board of Management



.....
 CPA Purity M. Nyamboga
 Head of Accounting
 Services
 ICPAK No. 20795



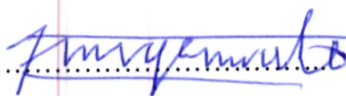
.....
 Dr. Charles Ogachi
 Medical Superintendent

Masaba District Hospital (County Government of Nyamira)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description		2022/23
	Note	Kshs
Cash flows from operating activities		
Receipts		
Rendering of services- Medical Service Income	8	11,241,192
Increase in inventory	19	(6,657,682)
Increase in receivables	18	(3,193,198)
Increase in trade payables	21	9,844,602
Total Receipts		11,234,914
Payments		
Medical/Clinical costs	9	1,855,070
Employee costs	10	2,362,115
Board of Management Expenses	11	60,000
Repairs and maintenance	12	392,490
General expenses	13	2,813,700
Total Payments		7,483,375
Net cash flows from operating activities		3,751,539
Net increase in cash and cash equivalents		3,751,539
Cash and cash equivalents at 1 July 2022		0
Cash and cash equivalents at 30 June 2023	17	3,751,539

The Hospital's financial statements were approved by the Board on 29/09/2023 and signed on its behalf by:



Mr. Philip Nyamato Obwaya
 Chairman
 Board of Management



CPA Purity Nyamboga
 Head of Accounting
 Services
 ICPAK No. 20795



Dr. Charles Ogachi
 Medical Superintendent

Masaba District Hospital (County Government of Nyamira)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

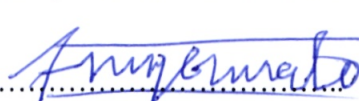
Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	A	b	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Rendering of services- Medical Service Income	20,381,957	15,232,303	35,614,260	11,241,192	24,373,068	31.56%
Grants from donors and development partners	52,804,188	28,919,246	81,723,434	18,919,246	62,804,188	23.15%
Total income	73,186,145	44,151,549	117,337,694	30,160,438	87,177,256	25.70%
Expenses						
Medical/Clinical costs	11,199,246	5,908,778	17,108,024	1,855,070	15,252,954	10.84%
Employee costs	4,360,000	1,000,000	5,360,000	2,362,115	2,997,885	44.07%
Remuneration of directors	240,000	-	240,000	60,000	180,000	25%
Repairs and maintenance	1,240,000	2,000,222	3,240,222	392,490	2,847,732	12.11%
General expenses	3,342,711	6,323,303	9,666,014	2,813,700	6,852,314	29.11%
Grants and Donors	10,000,000	8,919,246	18,919,246	18,919,246	0	0%
Depreciation expense	42,804,188	20,000,000	62,804,188	62,804,188	0	0%
Total expenses	73,186,145	44,151,549	117,337,694	89,206,809	28,130,885	76.03%
Surplus for the period	0	0	0	(59,046,371)	(59,046,371)	0

Budget notes:

The differences in expenditure and income which is below 90% is due to lack of NHIF reimbursement in full and lack of essential drugs.


The budget adjustments were due to reallocations and supplementary revisions during the year due to anticipation of more revenue from the new structures and services to be offered.

The Hospital's financial statements were approved by the Board on 29/09/2023 and signed on its behalf by:



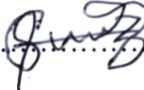
Mr. Philip Nyamato Obwaya
Chairman

Board of Management



CPA Purity Nyamboga
Head of Accounting
Services

ICPAK No. 20795



Dr. Charles Ogachi
Medical Superintendent

19. Notes to the Financial Statements

1. General Information

Masaba District Hospital is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Nyamira County Government and is domiciled in Nyamira County in Kenya. The entity's principal activity is prevention and cure of disease.

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

3. Adoption of New and Revised Standards

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

<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of Masaba District Hospital 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 Masaba District Hospital,s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Masaba District Hospital.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p>

Masaba District Hospital (County Government of Nyamira)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

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

IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation,</p>
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	<p>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>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires:-</p> <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.

iii) Early adoption of standards

The Masaba District Hospital 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 *Masaba District Hospital* 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 *Masaba District Hospital*.

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.

Masaba District Hospital (County Government of Nyamira)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2022-2023 was approved by Board on 29/09/2023. 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 Masaba District Hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *Masaba District Hospital* recorded additional appropriations of *ks15,232,303* on the FY 2022-2023 budget following the Board's approval. The *Masaba District Hospital* 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 5 under section 18 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 of 3 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Masaba District Hospital. 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 Masaba District Hospital 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 Masaba District Hospital. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

The Masaba District Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Masaba District Hospital 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 Masaba District Hospital does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.*

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 Masaba District Hospital 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 Masaba District Hospital 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 Masaba District Hospital 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 not set out as they are not applicable.

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 Masaba District Hospital.

k. Provisions

Provisions are recognized when the Masaba District Hospital 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 Masaba District Hospital 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 Masaba District Hospital 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 Masaba District Hospital 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 Masaba District Hospital creates and maintains reserves in terms of specific requirements.

p. Changes in accounting policies and estimates

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

Notes to the financial statements (Continued)

6. In Kind Contributions from The County Government

Pharmaceutical and Non-Pharmaceutical Supplies	2,822,821
Total grants in kind	2,822,821

7. Grants From Donors and Development Partners

Grants from donors and development partners	16,096,425
Total grants from donors and development partners	16,096,425

8. Rendering of Services-Medical Service Income

Pharmaceuticals	264,050
Laboratory	1,451,830
Radiology	1,212,000
Accident and Emergency Service	6,500
Dental services	126,500
Nhif services	6,080,120
Other medical services income	2,100,192
Total revenue from the rendering of services	11,241,192

9. Medical/ Clinical Costs

Dental costs/ materials	52,900
Laboratory chemicals and reagents	509,200
Food and Ration	535,830
Dressing and Non-Pharmaceuticals	402,600
Pharmaceutical supplies	102,245
Sanitary and cleaning Materials	146,295
X-Ray/Radiology supplies	106,000
Total medical/ clinical costs	1,855,070

Masaba District Hospital (County Government of Nyamira)
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Notes to the financial statements (continued)

10. Employee Costs

Description	
Other employee costs	2,362,115
Employee costs	2,362,115

11. Board of Management Expenses

Description	
Sitting allowance	60,000
Total	60,000

12. Repairs And Maintenance

Description	
Property- Buildings	64,990
Medical equipment	185,435
Motor vehicle expenses	142,065
Total repairs and maintenance	392,490

13. General Expenses

Description	
Bank charges	31,246
Contracted services	541,800
Electricity expenses	63,500
Travel and accommodation allowance	15,000
Electricity bill	505,650
Courier and postal services	9,450
Printing and stationery	246,495
Fuel for production	36,000
Fuel for transport	180,000
Water and sewerage costs	17,500
Telephone and mobile phone services	48,800
Transfer to county governments	1,118,259
Total General Expenses	2,813,700

Notes to the financial statements (continued)

14.Grants And Subsidies

Description	2022/23
	Kshs
Grants and subsidies	18,919,246
Total grants and subsidies	18,919,246

15.Depreciation and Amortization Expense

Description	Insert Current FY
	Kshs
Depreciation and Armotisation	62,804,188
Total depreciation and amortization	62,804,188

17.Cash And Cash Equivalents

Description	2022/23
	KShs
Current accounts	3,751,539
Total cash and cash equivalents	3,751,539

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

Description		2022/23
Financial institution	Account number	KShs
a) Current account		
Kenya Commercial bank	1152777661	1,912,347
Kenya Commercial bank	1102219754	1,839,192
Sub- total		3,751,539
Grand total		3,751,539

18.Receivables From Exchange Transactions

Description	2022/23
	KShs
Medical services receivables	3,193,198
Total	3,193,198

19.Inventories

Description	2022/23
	KShs
Inventories	6,657,682

Masaba District Hospital (County Government of Nyamira)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the financial statements(continued)

20. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 st July 2022	3,000,000	270,000,000	6,000,000	2,500,000	1,000,000	399,133,500	0	681,633,500
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments		-		-			(-)	-
At 30th June 2023	3,000,000	270,000,000	6,000,000	2,500,000	1,000,000	399,133,500	0	681,633,500
Depreciation and impairment								
At 30 June 2022	0	0	0	0	0	0	0	0
At July 2022	3,000,000	270,000,000	6,000,000	2,500,000	1,000,000	399,133,500	0	681,633,500
Depreciation	(0)	(10,800,000)	(1,500,000)	(312,500)	(300,000)	(49,891,688)		(62,804,188)
Disposals	(-)	(-)	(-)	(-)	(-)	(-)		(-)
Impairment	(-)	(-)	(-)	(-)	(-)	(-)		(-)
Transfer/adjustment		-	-	-	-	-	-	-
At 30th June 2023	3,000,000	259,200,000	4,500,000	2,187,500	700,000	349,241,812	0	618,829,312
Net book values								
At 30th June 2023	3,000,000	259,200,000	4,500,000	2,187,500	700,000	349,241,812	0	618,829,312

Notes to the financial statements(continued)

21.Trade And Other Payables

Description	2022/23
	KShs
Trade payables	8,724,602
Employee dues	1,120,000
Total trade and other payables	9,844,602

22.Cash Generated from Operations

Description	2022/23
	KShs
Surplus for the year before tax	
Net cash flow from operating activities	3,751,539

Notes to the Financial Statements (Continued)

17. Financial Risk Management

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

(i) Credit risk

The hospital 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 hospital's management based on prior experience and their assessment of the current economic environment.

(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 hospital's short, medium and long-term funding and liquidity management requirements. The hospital manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade payables	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2023				

Trade payables	0.00	0.00	9,844,602	9,844,602
Total	0.00	0.00	9,844,602	9,844,602

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the way it manages and measures the risk.

iv) Capital Risk Management

The objective of the hospital's capital risk management is to safeguard the Hospital's ability to continue as a going concern.

18. Related Party Balances

Nature of related party relationships

Masaba district hospital and other parties related to the hospital include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions.

Related parties include management personnel, their associates, and close family members.

Government of Kenya

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

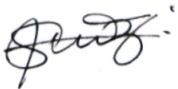
- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors.

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

	Reference to the Auditor's Report	Management Comments	Status	Time Frame
4.2	Cash and Bank variances	The management has recorded the correct cash and bank variances	Resolved	Immediately
4.6	Misstatement of employee costs	The management has included employee costs of ksh1,120,000 as employee payables	Resolved	Immediately
4.9	Undisclosed in kind donations	To management has disclosed all in kind donations	Resolved	Immediately



Accounting Officer