REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KIMILILI SUB-COUNTY HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2022

COUNTY GOVERNMENT OF BUNGOMA

THE COUNTY GOVERNMENT
OF BUNGOMA

Our Heritage, Our Wealth.

KIMILILI SUB-COUNTY HOSPITAL
Level 4 HOSPITAL
(Bungoma County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

Table of Contents.. pages

1. Acronyms Abbreviations and Glossary of Terms.

ANC- Antenatal Care
A&E-Accident and Emergency
CBK-Central Bank of Kenya
BOM-Board of Management
CHV-Community Health Volunteer
HS-Hospital Superintendent
HA-Hospital Administrator
NO-Nursing Officer
RM-Record Manager
PHO-Public Health Officer
CL-Clinical Officer
CS-Chairperson Statement
CHMB-Chairperson Hospital Management Board
CEO-Chief Executive Officer
CPA-Certified Public Accountant
CT-Computer Tomography
EEC-Executive Expenditure Committee
FY-Financial Year
HMB-Hospital Management Board
HMC-Hospital Management Committee
HMT-Hospital Management Team
HOD-Head of Department
ICPAK-Institute of Certified Public Accountant of Kenya
BCRH-Bungoma County Referral Hospital
KEMSA-Kenya Medical Supplies Authority
MEDS-Mission for Essential Drugs and Supplies
MOH-Ministry of Health
OAG-Office of the Auditor General
NHIF-National Hospital Insurance Fund
QHC-Quality Health Care
PFM-Public Finance Management
NSSF-National Social Security Hospital
SOPC-Surgical Outpatient Clinic
ANC- Antenatal Care
A&E-Accident and Emergency
CBK-Central Bank of Kenya
BOM-Board of Management
CHV-Community Health Volunteer
HS-Hospital Superintendent
HA-Hospital Administrator
NO-Nursing Officer
RM-Record Manager
PHO-Public Health Officer
CL-Clinical Officer

2. Key Entity Information and Management

(a) Background information

Kimilili Sub-County Hospital is a level 4 hospital established under gazette notice number 786, on 4th February 2020 and is domiciled in BUNGOMA County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

Kimilili Sub County Hospitals'

- **Mandate**; as level 4 hospital we are mandated to provide promotion, preventive, curative and rehabilitative services. Also, we are to offer other quality clinical care services that includes surgery, laboratory and diagnostic services.
- ***Vision***; *providing optimal primary healthcare services*
- ***Mission;*** *to provide sustainable, coordinated, intergraded and comprehensive healthcare through provision of equitable, affordable and acceptable services.*
- ***Core values***; *Respect, professionalism and compassion*
- ***Slogan:*** *Your health our priority*

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others (*specify)*

(d) Fiduciary Management

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

MANAGEMENT TEAM

No.	Designation	Name
1.	Medical Superintendent	**Dr. David Shivachi**
2.	Health Administrative Officer	**Mr. Andrew Simiyu**
3.	Head Nursing Services	**Mrs. Grace Nyongesa**
4.	Head Finance Officer	**Mr. Moses Bomji**
5.	Head Health Records and Information Officer	**Mrs. lenah Apiyo**
6.	Head Clinical Officer	**Mrs. Christine Munyendo**

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee
- The fiduciary oversight roles played by audit sub- committee drawn from the HMC include but not limited to;

I. Overseeing the effectiveness of hospital financial reporting and disclosure process
II. Monitoring effectiveness and adherence to the hospital accounting policies and principles
III. Overseeing the effectiveness of the risk management framework
IV. Monitor and advice on effectiveness of internal control environment

(f) Contact address

Kimilili Sub county Hospital

P.O. Box 490-50204

Adjacent to Kimilili Police Station

KIMILILI, KENYA

(g) HOSPITAL NO.

Telephone: (+254) 0717590303
E-mail: Kimililisch@gmail.com

(h) Entity Bankers

Kenya Commercial Bank

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

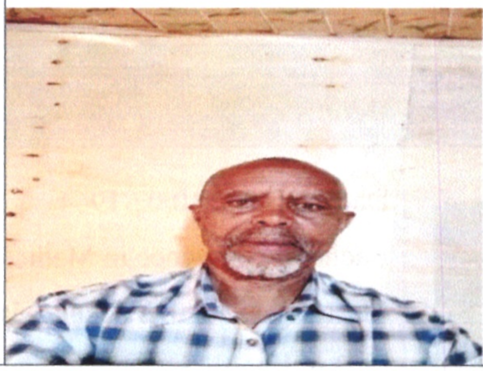
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

(k) **County Attorney**

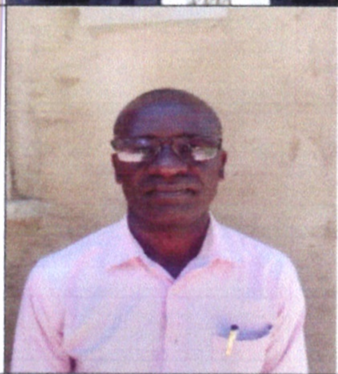
P.O. Box. 437-
Bungoma, Kenya

3. The Board of Management

Ref	Directors	Details
1.	Director 1. PROFFESSOR NANGAMI 	Date of Birth: 10/02/1964 Bachelor of science in Medicine Masters in Health Systems Management PhD in Health Systems Management. 25 years of experience in Medicine Lecturer MOI University Chairperson of Board of Directors
2.	Director 2. JANE WAFULA 	Date of Birth: 15/05/1970 Bachelor of Community Health Volunteer 20 years of experience in Health Finance & General Purpose Committee

		
4.	Director 4. JOSEPH MWANGI 	Date of Birth: 22/10/1965 Diploma of Business Administration 20 years of experience in B A Quality care & Assurance Committee

4. Management Team

Ref	Management	Details
1.	 D r. David Shiva chi Masters of Medicine in Family and Emergency Medicine, Bachelor of Medicine and Surgery	Hospital Superintendent
2.	 Andrew Simiyu Bachelor of Arts	Hospital Administrator
3.	 Grace Nyongesa Bachelor of science in Nursing, diploma in Kenya registered nurse	Nursing officer
4.	 Moses Bomji Bachelor of commerce, accounting officer	Accountant
5.	D r. Edith	Pharmacist

	 Bachelor of pharmacy, MSc in Health Economics and policy.	
6.	 Lenah Apiyo Diploma In Health Records And Information	Records Manager
7.	 Daniel Makokhah Bachelor's Degree in Public Health	Public Health Officer

1.	 Clinical officer Christine Munyendo Diploma in Clinical Medicine	Clinician

5. Chairperson's Statement

Coming up with a workable annual work plan for an institution is like running a marathon. To navigate the uneven terrain and endure the changing weather, the runners train well, vary their pace and take a sip of water at strategic times along the journey. It has taken teamwork and selfless engagement to realise the achievements for Kimilili Sub-County Referral Hospital. On behalf of the hospital management Committee, I appreciate all the stakeholders who made contributions at various stages of implementation of the hospitals work plan.

Firstly, the clients of the hospital through their continuous feedback and utilization of our services giving us the impetus to improve the quality of our services. We value client-centered services and we trust this plan marks a new beginning in our renewed commitment to servicing the Kimilili Sub-County community and beyond. Secondly, KSCH has an amazing team of staff members at all levels. Their motivation to always provide the best services despite resource constraints is unparalleled. Their contributions from conceptualization of the plan to participation through interviews and focused group discussions ensured the plan become a reality. A special thank you to the hospital management team and committee for excellent leadership and inspiring the much-needed commitment during the entire process. We cannot forget to acknowledge and appreciate the technical support and cordial relationships that we have built with the Kimilili Sub-County administration, planning department and Kimilili municipality. Thirdly, we are deeply indebted to the county Director of Health; Chief Officer for Health Bungoma County for their unwavering support and encouragement to develop the facility and improving staffing norms.

Finally, the members of the hospital management board are proud of the progress in the last one year and commit to support the facility in its day to day running of activities.

PROF. MABEL NANGAMI
CHAIRPERSON HOSPITAL MANAGEMENT BOARD

6. Report of The Medical Superintendent

As a level 4 health facility, we face the reality of health service provision to a steadily increasing population amidst resource-constraints. It presents the opportunity to give meaningful response to the health challenges facing the people within and beyond our catchment area. It also aims to improve efficiency, effectiveness and equity in service delivery by integrating the key elements into providing a long-term framework that will guide the annual planning and budget cycles. There are four overreaching outcomes for the forthcoming planning cycle that aim to address a single impact of "quality health and wellbeing". The first outcome of "Improved health infrastructure and facilities" aims to address the issue of infrastructure and facility shortages that afflict the Hospital service delivery. From an infrastructure perspective, the Hospital is impacted by ageing facilities, fleet and equipment. It also faces challenges meeting the mandatory Ideal clinic & National Core Standards, as well as the National Environmental Health Norms & Standards due to resource constraints.

It takes a great team with dedication and focus to build a great health organization to serve our community, county and beyond. As I present the details of this report, it is clear the accomplishment and achievements were as a result of great collaboration of staff, partners and the county. The distinctive disciplines of our hospital do not matter but rather each individual plays a valued part in making Kimilili Sub County Hospital a preferred health provider within the county. During the past year, we collectively embarked on a journey to align our activities to the strategic plan, advance our vision, and deliver our services using balanced score card to ensure patients and get value for their money. Even with constant exposure to challenges including but not limited to covid 19, we remained focused on our core contribution to our vision. To top the list of our success was to develop and equip a clean male and female wards, development of a clear workable strategic plan hence being the first hospital to have strategic plan. I personally revere the team for standing with us over the years to save lives. It is with this unprecedented commitment that I am distinctly pleased to present this year's annual report of achievements and accomplishment. Kimilili Sub County Hospital is an organization of action; a community of engaged professionals who create, pursue, perform, and achieve in support of the KSCH's mission and vision. In this report you will see a snapshot of some activities and the remarkable opportunities that KSCH embarked upon, which taken together, make for an incredibly powerful and inspiring Hospital of commitment and success that can be harnessed.

Clinical performance

In addition, the hospital has increased critical care capacity from 78 beds to 120 beds by establishing and equipping casualty and emergency room and female wards. Renovations and equipping radiology department with new X-Ray machine, Ultrasound and ECG machine has enabled access to service, increased revenue and reduced expenditure on referral of clients who needed these services.

Responding to consumer demand for improved access

During the year under review, the hospital established the nutrition and wellness screening program, customer care desk, specialized clinics to address consumer-focused needs. The program is aimed at reducing some of the common lifestyle diseases. With this, majority of our patients would recommend KSCH to friends seeking healthcare services. The survey also revealed that our staff are keen to listen, learn and receive customer feedback for services improvement. In order to maintain and exceed customer satisfaction, we have established a customer feedback management system to receive and resolve public feedback. Our commitment to serve our customers by addressing the concerns of patients, staff and partners. KSCH shall also remain focused in engaging with our stakeholders in our business decision-making processes.

Financial sustainability

Healthcare services are usually expensive and no Government in the world has ever been able to successfully provide without public private partnership. Nevertheless, National Hospital Insurance Fund has come handy to bail out healthcare burdens and provided a safe haven for enrolled members. This has increased access to care and is a means of healthcare financing irrespective of individual socioeconomic status. It is in this view that the hospital has negotiated for inclusion of surgical, dental and Optical packages to further cushion the hospital as we maintain our core mandate.

Financial review

In the financial year under review, the hospital did not get any government grant. The running of the aforementioned activities was entirely dependent on out of pocket from clients seeking services and NHIF claims reimbursement. There was partner support for outreaches and equipment. There were waivers and exemptions which reduced our collection and increased operating costs. Within this period, we had a total NHIF reimbursement of Kshs. 31,475,442.00, out of pocket of KSh. 17,725,194.00, making a total banking of Kshs. 49,200,636.00. There was an exemption of Kshs. 41,430.00 and waivers of Kshs. 67,160.00 they resulted in reduction in revenue totaling to KSh. 108,560.00. Overall, the operating result was a deficit of Kshs. 3,966,358.00 leading to pending bills in the period of review.

DR. DAVID SHIVACHI
MEDICAL SUPERINTENDENT KIMILILI SUB-COUNTY HOSPITAL

KIMILILI SUB-COUNTY HOSPITAL
MEDICAL
30 JUN 2022
SUPERINTENDENT
P.O. BOX 490-50204 KIMILILI

7.Statement of Performance Against Predetermined Objectives

7.Statement of Performance Against Predetermined Objectives

Kimilili sub county hospital Management Team has made significant progress in the implementation of the Work Plan 2021-2022. Positive developments can be noted in all strategic areas as derived from the hospitals strategic plan. Analysis of performance is based on the following program areas (pillars) of health in Kenya

1: To eliminate Communicable Conditions.
2: To halt and reverse the increasing burden of non-communicable conditions.
3: To reduce the burden of violence and injuries.
4: To provide essential health services
5: To minimize exposure to health risk factors
6: To strengthen collaboration with health-related sectors

KIMILILI SUB COUNTY HOSPITAL has 4 strategic objectives within the current Strategic Plan from which the annual work plans are drawn.

KIMILILI SUB COUNTY HOSPITAL develops its annual work plans based on the above 6 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2021/2022 period for its 4 strategic pillars, as indicated in the diagram below:

Revitalization of health infrastructure, strengthening of health care service delivery and developing equitable financing mechanisms in the health sector are the main strategies of providing an equitable health care system. Focusing on the above statement, the hospital has developed a strategic plan with 4 specific objectives that together form the vision of the hospital: to attain the highest standards of health through equitable, affordable, accessible and acceptable services in the region.

The objectives include:

1. To strengthen human resource
2. To increase revenue collection

Providing optimal primary health care services for all	Human resource	To strengthen human resource and institutional development	• Motivation through recognition of good performance • Training of staff to enable effective service delivery • Promotion & re-designation • Deployment • Improvement of staff through welfare • Review and enforcing human resource manual • Develop focused capacity building program for both HMC & HMT • Establish and strengthen a hospital quality assurance unit
	Revenue collection	To increase revenue collection	▪ Computerize all department and cash points ▪ Review internal financial controls ▪ Strengthen waiver system and committee ▪ External resource mobilization focusing on both government and non-governmental organizations ▪ Identification and mobilization of alternative income generating activities ▪ Expand on NHIF enrolment in the community ▪ Introduce new services ▪ Review user charges
	Hospital infrastructure	To expand hospital infrastructure and	Improving the general appearance and face-lifting and repair of

			▪ Identification and mobilization of alternative income generating activities ▪ Expand on NHIF enrolment in the community ▪ Introduce new services ▪ Review user charges
	Hospital infrastructure	To expand hospital infrastructure and equipment	Improving the general appearance and face-lifting and repair of buildings Improve security of the hospital Expansion of the existing hospital structures Procure essential medical equipment Maintenance of existing medical equipment
	Waste management and sanitation	To improve management of waste and sanitation	✓ Construction of an incinerator, composite pit and placenta pit ✓ Purchase of a macerator ✓ Construction of an executive staff washrooms ✓ Construction of bio-digesters and recycle of the wastes ✓ Maintenance of drainage system ✓ Health education and supervision on IPC

8.Corporate Governance Statement (empty)

9.Management Discussion and Analysis (empty)

The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible. The information should show a trend for the last their years.
Some of the details to be included under this section are;

Clinical/operational performance
The hospital has 120 bed capacity, providing comprehensive health services to communities within Kimilili, Mt. Elgon, Kabuchai, Tongaren, Webuye West and east sub-counties and partly Trans Nzoia county.
The average bed occupancy rate monthly for the period 2021/2022 was 75% up from 74 % in the year 2020 /2021.
On average the length of stay for inpatients across the 3 years is 4 days, this is attributed to only the medical cases admitted and caesarean section cases for maternity since patients who require major surgeries are referred due to lack of a surgeon.

- Bed capacity of the hospital.
- Accident and Emergency attendance
- Specialised clinic attendance
- Average length of stay for in patient
- Bed occupancy rate
- Mortality rate
- Surgical theatre utilisation (number of operations over a period of time)
- Sponsorships and partnerships

Overall patient attendance during the year for both inpatient and outpatient.
The outpatient workload is as stipulated in the chart below showing a reduction in the number of those who came to seek care during 2020/2021 during the covid period.

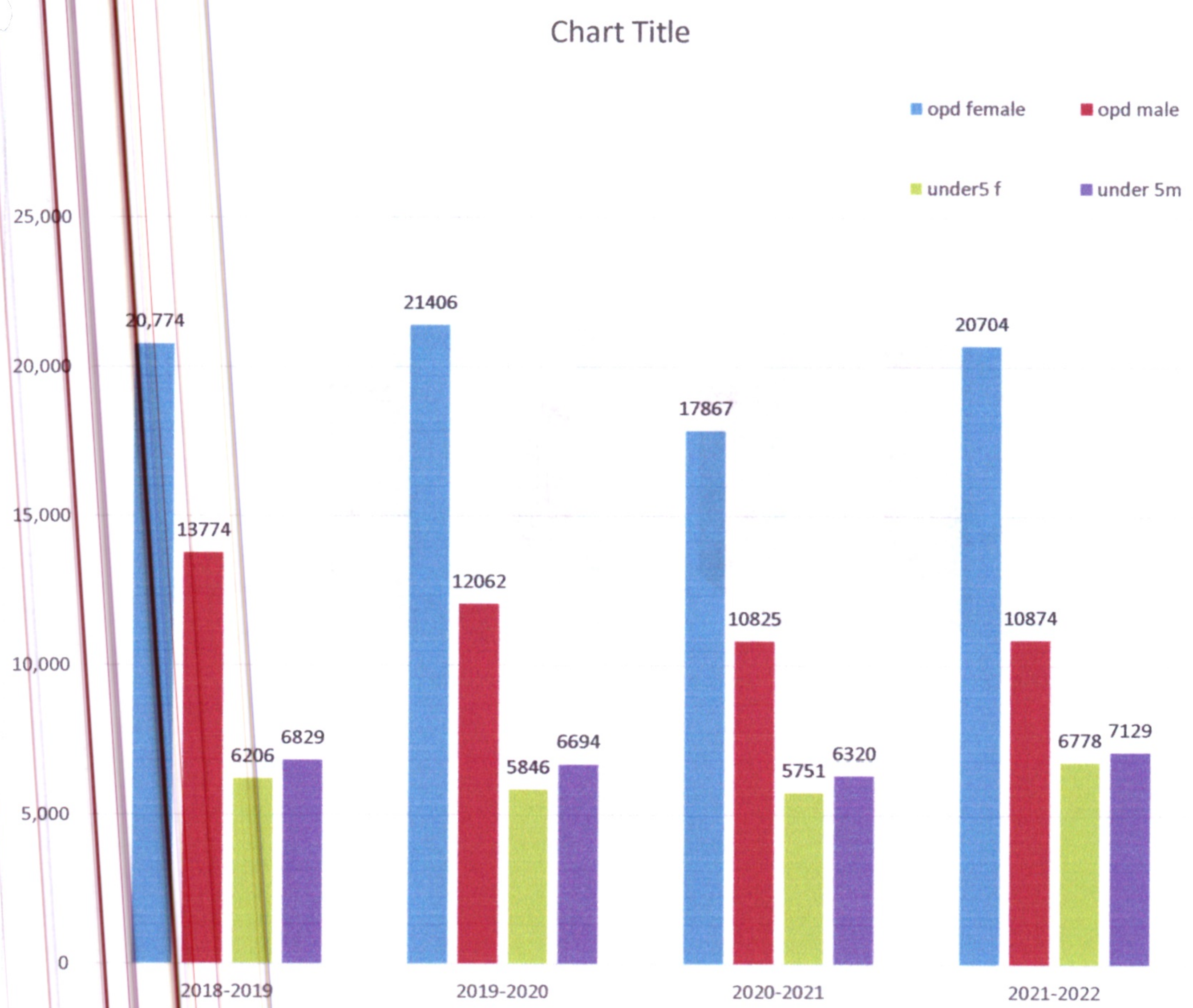


Chart Title
opd female
opd male
under5 f
under 5m
25,000
20,000
15,000
10,000
5,000
0
20,774
13774
6206
6829
21406
12062
5846
6694
17867
10825
5751
6320
20704
10874
6778
7129
2018-2019
2019-2020
2020-2021
2021-2022

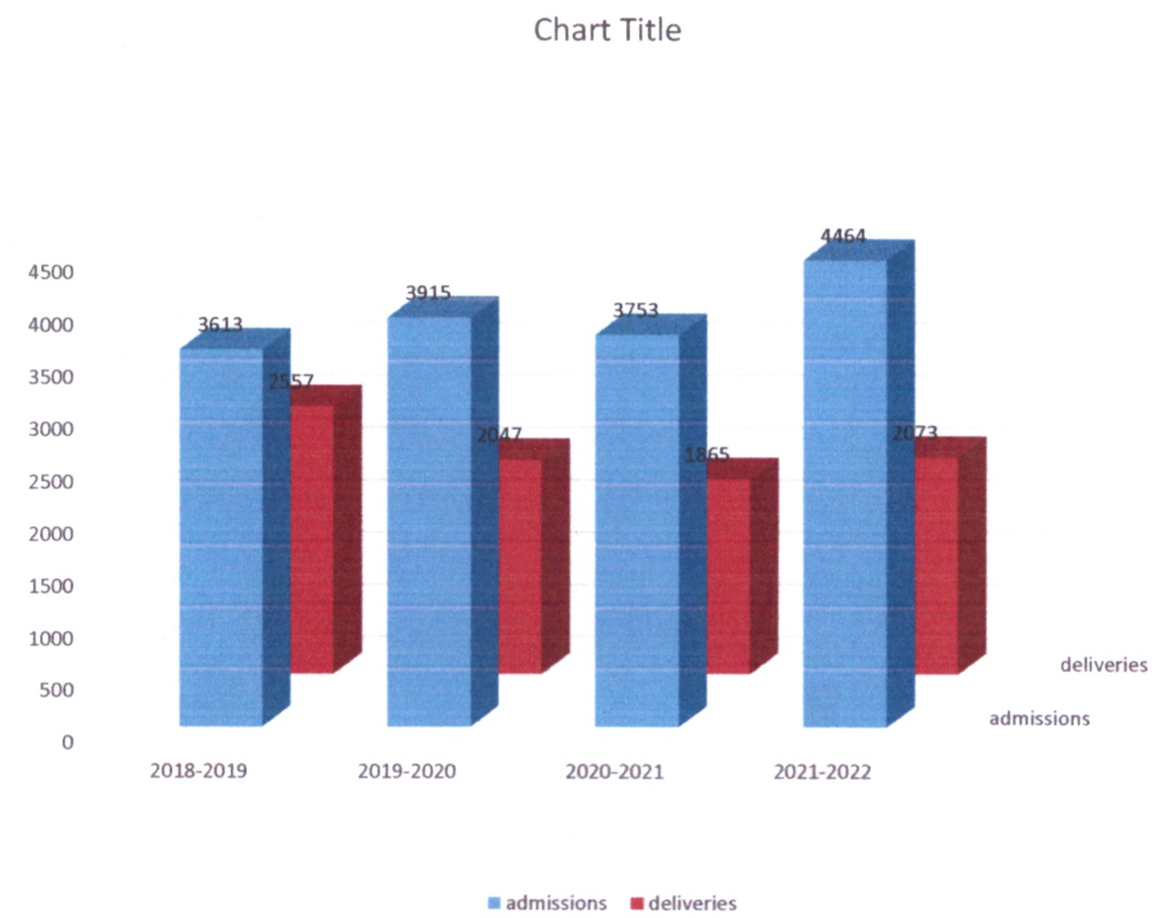
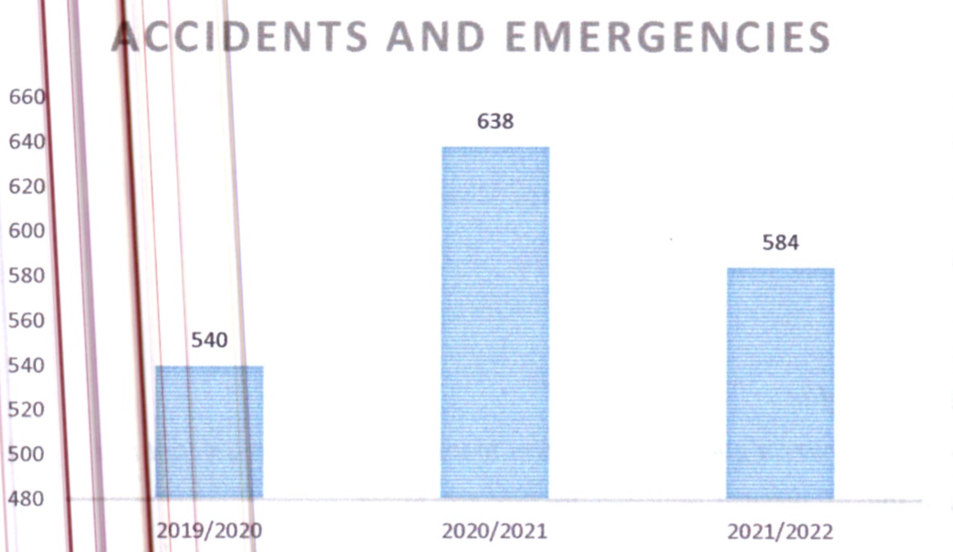
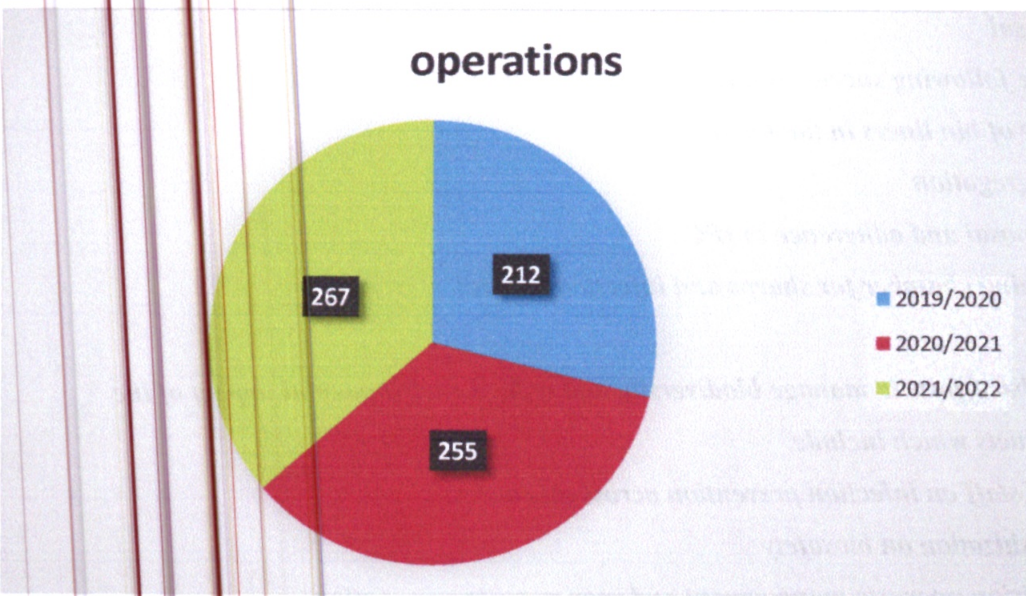


Chart Title
4500
4000
3500
3000
2500
2000
1500
1000
500
0
3613
2557
3915
2047
3753
1865
4464
2073
deliveries
admissions
2018-2019
2019-2020
2020-2021
2021-2022
admissions
deliveries


ACCIDENTS AND EMERGENCIES
660
640
620
600
580
560
540
520
500
480
540
638
584
2019/2020
2020/2021
2021/2022


operations
212
255
267
2019/2020
2020/2021
2021/2022

Utilisation of funds

Kimilili Hospital prudently utilises its funds on;

- Payment of supplies on commodities and goods
- Payment of utilities
- Infrastructural improvements and renovations
- Infrastructural developments
- Purchase of Medical equipment's and Maintenance

10. Environmental and Sustainability Reporting

Two-to-three pages)

i) Sustainability strategy and profile

a). The hospital intents to procure a good HMIS system to ensure that funds are not lost through corruption and that all services rendered are properly billed

b) Due to escalating bills the hospital has drilled its own water source that is supplied to all departments by use of solar panel and also intends to put up a water kiosk to sell during dry seasons as a revenue generating activity.

ii) Environmental performance

Policies from public health and sanitation include

a) Infection prevention

b) Waste segregation

c) Expired drug disposal

d) Idle assets disposal

From the above the following successes have been realised in the hospital

a) Adequate supply of bin liners in the facility

b) Proper waste segregation

c)Proper waste disposal and adherence to IPC

b) Functional burning chamber for sharps and infectious wastes

There have been also efforts to manage biodiversity and reduce environmental impact of the organizations products which include.

a) Sensitization of staff on infection prevention across all cadres

b) Community sensitization on biosafety

c)Frequent supervision on waste management and proper waste segregation

b) Functional burning chamber for sharps and infectious wastes

There have been also efforts to manage biodiversity and reduce environmental impact of the organizations products which include.

a) Sensitization of staff on infection prevention across all cadres

b) Community sensitization on biosafety

c) Frequent supervision on waste management and proper waste segregation

d) Continuous on job training on waste disposal

iii) Employee welfare

- During hiring and employment process the third gender rule is observed
- Stakeholder engagement is also put in to consideration for example staff from USAID /DUMISHA
- The engagement s done o monthly basis, quarterly basis and at times when need arises.
- Staff are supported to go for training trough the education committee after approval,
- Staff are also supported to attend seminars and conferences and also advancement at KENYA SCHOOL OF GOOVERMENT.
- There are annual rewards for staff during end of year party among
- The hospital has put in place measures to motivate staff to increase productivity and also take care of the during bereavement of close relatives

iv) Market place practices-

The organisation should outline its efforts to:

a) *Responsible competition practice.*

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors. **The hospital is committed to offering affordable and quality services with the support of the county government and in partnership with partners in accordance to the constitution of Kenya**

b) *Responsible Supply chain and supplier relations*

a) The hospital makes all efforts to avail standard operating procedures (SOPs) to all departments.

b) Availing of job aids to service provides.

c) Proper displaying of service charters

v) Corporate Social Responsibility / Community Engagements

1. *The hospital offers waivers and exception to those unable to pay for services*
2. *Health talks to school and public institutions*
3. *Offering free ambulance /first aid services to nearby schools during sports days.*

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, 2022, which show the state of the *hospital's* affairs.

Principal activities

The principal activities of the entity are (continue to be) ….
1. To oversee quality of care and services
2. Finance and general services
3. Audit

Results.
During their tenure the board saw to it that the following were done
1. Construction of casualty
2. Renovation of peads ward
3. face-lifting of general OPD
4. Drilling of water
5. Development of a 5-year strategic plan
6. construction of a holding room.

Board of Management

The members of the Board who served during the year are shown on page VII. During the year 2022 November after finishing their contract.

By Order of the Board

COUNTY MEDICAL KIMILILI SUB COUNTY HOSPITAL
30 JUN 2022
SUPERINTENDENT
P. O. BOX 190-50204, KIMILILI

DR. DAVID IKURA SHIVACHI
SECRETARY OF THE BOARD

5. Development of a 5-year strategic plan
6. construction of a holding room.

Board of Management

The members of the Board who served during the year are shown on page VII. During the year 2022 November after finishing their contract.

By Order of the Board

KIMILILI SUB-COUNTY HOSPITAL
MEDICAL
30 JUN 2022
SUPERINTENDENT
490-50204, KIMILILI

DR. DAVID IKURA SHIVACHI
SECRETARY OF THE BOARD

12.Statement of Board of Directors Responsibilities

Section 164 of the Public Finance Management Act, 2012 (*entities should quote the applicable legislation under which they are regulated))* requires the Board of Management to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Board of Management is also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The council members are also responsible for safeguarding the assets of the *entity*.

The Board of Management is responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *entity*; (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 *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under)*. The Board members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2022 and of the *entity's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

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

....	....
Name:	**Name:** DR- SHUACHL DAVID
Chairperson	**Accounting Officer**
Board of Management	

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KIMILILI SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF BUNGOMA

Preamble

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kimilili Sub-County Level 4 Hospital - County Government of Bungoma set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, the 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 Kimilili Sub-County Level 4 Hospital – County Government of Bungoma as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), the Health Act, 2017, County Governments Act, 2012, and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unvalued Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.115,105 in respect of property, plant and equipment as disclosed in Notes 20 to the financial statements. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment that were not valued and not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit verification.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.115,105 could not be confirmed.

2. Inaccurate Total Net Assets and Liabilities

The statement of financial position reflects the total net assets and liabilities balance of Kshs.61,263,497. However, re-casting revealed an amount of Kshs.60,838,239 resulting to an unexplained variance of Kshs.425,257.

In the circumstances, the accuracy of the total net assets and liabilities balance of Kshs.61,263,497 could not be confirmed.

3. Non-Disclosure of Inventory Balance

The statements of financial position reflect Nil inventory balance. However, there was no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2022.

In the circumstances, the accuracy, completeness and valuation of the Nil inventory balance of could not be confirmed.

4. Variances in Revenue from Rendering Services – Medical Service Income

The statement of financial performance reflects an amount of Kshs.49,190,136 in respect to the rendering of services - medical service income as disclosed in Note 9 to the financial statements. However, the supporting schedules indicating the various revenue streams were not provided for audit. Further, the amount includes National Health Insurance Fund (NHIF) reimbursement of Kshs.26,376,892 while NHIF records reflect an amount of Kshs.26,228,259 resulting to an unexplained variance of Kshs.148,633.

In the circumstances, the accuracy and completeness of rendering of services - medical service income amount of Kshs.49,190,136 could not be confirmed.

5. Variances in Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.49,200,636 in respect to receivables from exchange transactions as disclosed in Note 18 to the financial statements. This amount relates to dues from the National Health Insurance Fund (NHIF) whose records indicate a balance of Kshs.1,826,625 resulting to an unexplained variance of Kshs.47,374,011. Further, the amount has been outstanding for more than twelve (12) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within thirty (30) days of submission.

In the circumstances, the accuracy, completeness and recoverability of the trade receivables from exchange transactions balance of Kshs.49,200,636 could not be confirmed.

6. Variances in Trade and Other Payables

The statement of financial position reflects a balance of Kshs.51,841,433 in respect to trade and other payables as disclosed in Note 21 to the financial statements. The balance includes Kshs.905,670 owed to Kenya Medical Supplies Authority (KEMSA) while KEMSA records reflect Kshs.450,140 resulting to an unexplained variance of Kshs.455,530.

In the circumstances, the accuracy completeness of trade and other payables balance of Kshs.51,841,433 could not be confirmed.

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

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. Lack of Approved Budget and Procurement Plan

During the year under review, Management did not have an approved budget or an annual procurement plan. This was contrary to Regulation 50(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible Accounting Officer, based on allocations and allotments from approved budgets.

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

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

The statement of financial performance reflects an amount of Kshs.49,190,136 in respect to rendering of services-medical services income as disclosed in Note 10 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of the Public Finance Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund and Money shall not be withdrawn from a Revenue Fund unless the Controller of Budget has approved the withdrawal.

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

3. Unapproved Pricing of Medicines

The statement of financial performance reflects an amount of Kshs.49,190,136 in respect to rendering of services-medical services income as disclosed in Note 10 to the financial statements. However, there was no evidence of approval of the medicines price list contrary to Regulation 65 (2) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer shall obtain approval from the County Treasury for the proposed tariff structure.

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

4. Non-Compliance with Kenya Quality Model for Health Policy Guidelines

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by ninety (90) or 89% of the authorized staff requirements as detailed below.

Staff Requirements	Level 4 Standard	Number in the Hospital	Variance	Percentage %
Medical Officers	16	1	15	94
Anesthesiologists	2	0	2	100
General surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	10	65	87
Total	**101**	**11**	**90**	**89**

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	100	50	50
Functional ICU beds	6	2	4	66
High Dependency Unit (HDU) Beds	6	2	4	66
Renal Unit with at least 5 Dialysis machines	5	0	5	100

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

In the circumstances, the understaffing and inadequate hospital equipment may negatively have impacted on service delivery to the public.

5. Inappropriate Composition of Board of Management

The statement of financial performance reflects Board of Management costs amount of Kshs.3,462,320 as disclosed in Note 14 to the financial statements. However, review of the personal files revealed that there was no evidence of their qualifications. Further, there was no member to represent persons with disability or a member nominated by a joint forum of youth, women and faith-based organizations, a representative of the village or member representing the interest of the vulnerable and marginalized communities.

In the circumstances, the appropriateness of the Board of Management composition could not be confirmed.

6. Lack of Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs.49,190,136 in respect to rendering of services-medical income as disclosed in Note 10 to the financial statements. However, the Hospital did not provide evidence to show that the quarterly revenue reports were prepared and submitted to the County Treasury with a copy to the Auditor-General. This was contrary to Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

7. Irregular Engagement of Casual Workers

The statement of financial performance reflects casuals and contractual staff amount of Kshs.9,130,674 as disclosed in Note 13 of the financial statements. It was noted that Management engaged casual workers for more than three months. This was contrary to the County Public Service Human Resource Manual, May 2013 Section B.16(1) which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act, 2007.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Asset Register

During the year under review, Management did not maintain a fixed asset register. This was contrary to the provisions of Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstances, the effectiveness of internal controls on asset management could not be confirmed.

2. Unconfirmed Dispensing of Drugs to Patients

The statement of financial performance reflects medical and clinical costs amount of Kshs.29,275,916. Review of delivery notes revealed that the pharmacist was solely issuing drugs to dispensary without Management approval. The Hospital system indicates that a patient registers at a registration counter after which examination and diagnostic tests are performed and drugs are prescribed to be dispensed at the outpatient pharmacy at a fee. However, there was no evidence to show drugs issued from the store were dispensed to specific patients based on doctor's prescription.

In the circumstances, the effectiveness of internal controls on approving and issuing drugs to dispensary and dispensing of drugs to specific patients based on doctor's prescription could not be confirmed.

3. Lack of Segregation of Duties

The statement of financial performance reflects an amount of Kshs.49,190,136 in respect to rendering of services-medical service income as disclosed in Note 10 to the financial statements. However, it was noted that there was no segregation of duties in revenue collection since one person receives revenue, issues receipts and is in charge of banking the revenue.

In the circumstances, adequate safeguards in respect to prompt collection and proper accounting for revenue could not be confirmed.

4. Weak Controls on Patient's Registration Management

Review of the hospital workload distribution indicated that 42,943 registered patients out of whom 38,084 were outpatients while the balance of 4,859 were admitted as inpatients. Registration of patients was done at the counter where patient name, age, and address were recorded but the subsequent diagnosis prescribed by doctors, results thereof, medicines prescribed and distributed, status of patient treated were not recorded in an information system and in the subsequent re-visits patients had to be registered afresh.

In the circumstances, lack of patient treatment history may prevent provision of proper medical care by the doctors during subsequent visits.

5. Non-Compliance to First Expiry First Out Method of Issuing Inventory

Review of management of pharmaceuticals and non-pharmaceuticals revealed that store stock cards used to receive and issue drugs to various departments in the Hospital did not indicate the batch number and the expiry dates of the drugs. It was therefore not possible to establish whether the issuance of drugs followed the principal of First Expiry First Out (FEFO). This was contrary of the Ministry of Health Guidelines on Management of Health Products and Technologies 2020 which require medical products to be issued from the store through the principle of First Expiry First Out (FEFO).

In the circumstances, the noncompliance to the principle of First Expiry First Out (FEFO) may contribute to high rates of expiries.

6. Poor Storage of Medical Commodities

Physical inspection and review of management of pharmaceuticals and non-pharmaceuticals items revealed inadequate shelfs for the storage which resulted to keeping boxes containing the drugs on the floor and in unorderly manner.

In the circumstances, poor storage of pharmaceuticals and non-pharmaceuticals may result to high rates of expiries and damages.

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

Responsibilities of Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 Hospital's policies and procedures may deteriorate.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

08 July, 2024

14.Statement of Financial Performance for Kimilili Sub-County Hospital for The Year Ended 30 June 2022.

Description	Notes	2021/22
		Kshs
Revenue from Non exchange transactions		
Trasfers from County Governments	6	0
In Kind contributions from the county Government	7	9,130,674
Grants from donors and development partners	8	0
Transfers from other Government entities	9	0
Revenue from exchange transactions		
Rendering of services- Medical Service Income	10	49,190,136
Revenue from rent of facilities	11	10,500
Total revenue		**58,331,310**
Expenses		
Medical/Clinical costs	12	29,275,916
Employee costs	13	9,130,674
Board of Management Expenses	14	3,462,320
Repairs and maintenance	15	4,914,710
General expenses	16	8,609,893
Total expenses		**53,393,513**
Net Surplus for the year		**2,937,797**

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

Chairperson of Board	**Head of Finance** **ICPAK No:**	**Medical Superintendent**

MEDICAL SUPERINTENDENT KIMILILI SUB-COUNTY HOSPITAL
30 JUN 2022
P. O. Box 490-60204, KIMILILI

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

Description	Notes	2021/22
		Kshs
Assets		
Current assets		
Cash and cash equivalents	17	11,947,756.37
Receivables	18	*49,200,636.00*
Inventories	19	0
Total Current Assets		**61,148,392**
Non-current assets		
Property, plant, and equipment	20	115,105
Total Non-current Assets		**115,105**
Total assets		**61,263,497**
Liabilities		
Current liabilities		
Trade and other payables	21	51,841,433
Total Current Liabilities		**51,841,433**
Total Liabilities		**51,841,433**
Net assets		
Accumulated surplus/Deficit		2,937,797
Capital fund		6,059,009.37
Total Net Assets and Liabilities		**60,838,239.00**

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Chairperson of Board.

……………………………………
Head of Finance
ICPAK No:

……………………………
Medical Superintendent

KIMILILI SUB-COUNTY HOSPITAL
MEDICAL
30 JUN 2022
SUPERINTENDENT
P. O. Box 490-50204, KIMILILI

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/*(deficit)* for the year	-		-	-
Capital/Development grants	-		-	-
As at June 30, 2021	-		**6,059,009**	**6,059,009**
At July 1, 2021	-		**6,059,009**	**6,059,009**
Revaluation gain	-		-	-
Surplus/(deficit) for the year	-	2,937,797	-	2,937,797
Capital/Development grants	-		-	-
At June 30, 2022	-	2,937,797	**6,059,009**	**8,996,806**

Chairperson of Board.

Head of Finance
ICPAK No:

Medical Superintendent

KIMILILI SUB COUNTY HOSPITAL MEDICAL SUPERINTENDENT 30 JUN 2022 P. O. Box 490-50204, KIMILILI

17.Statement of Cash Flows for The Year Ended 30 June 2022

Description		2021/22
	Note	Kshs
Cash flows from operating activities		
Receipts		
Rendering of services- Medical Service Income	10	49,190,136
Revenue from rent of facilities	11	10,500
Total Receipts		**49,200,636**
Payments		
Medical/Clinical costs	12	25,725,816
Employee costs	13	297,000
Board of Management Expenses	14	3,462,320
Repairs and maintenance	15	4,994,504
General expenses	16	8,717,145
Total Payments		**43,196,784**
Net cash flows from operating activities	24	**6,003,852**
Cash flows from investing activities		
Purchase of property, plant, equipment, & intangible assets		(115,105)
Net cash flows used in investing activities		**(115,105)**
Net increase/(decrease) in cash and cash equivalents		**5,888,747**
Cash and cash equivalents at 1 July 2021	13	6,059,009.37
Cash and cash equivalents at 30 July 2022	13	11,947,756.37

The notes set out on pages 2 to 34 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on ________________ and signed on its behalf by:

……………………………… ……………………………… ………………………………

Chairperson of Board. **Head of Finance** **Medical Superintendent**

ICPAK No:

KIMILILI SUB COUNTY HOSPITAL MEDICAL SUPERINTENDENT 30 JUN 2022 P. O. Box 490-50204, KIMILILI

18.Statement of Comparison of Budget and Actual Amounts for The Year Ended 30 June 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Rendering of services- Medical Service Income	32,106,885	-	32,106,885	49,190,136.00	(17,083,251)	153%
Revenue from rent of facilities				10,500.00	(10,500)	0%
Total income	**32,106,885**	-	**32,106,885**	**49,200,636.00**	**(17,093,751)**	**153%**
Expenses						
Medical/Clinical costs	19,025,903.00	-	19,025,903.00	29,725,816.00	(10,699,913.00)	156%
Employee costs	769,224.00		769,224.00	297,000.00	472,224.00	39%
Board of Management Expenses	3,025,000.00	-	3,025,000.00	3,462,320.00	(437,320.00)	114%
Repairs and maintenance	3,189,439.00	-	3,189,439.00	4,994,504.00	(1,805,065.00)	157%
General expenses	5,820,627.00	-	5,820,627.00	8,717,145.00	(2,896,518.00)	150%
Total Expenditure	**31,830,193.00**	-	**31,830,193.00**	**47,196,785.00**	**(15,366,592.00)**	148%
Surplus for the period		-		2,003,851.00	(1,727,159)	
Capital expenditure	**276,692.00**	-	**276,692.00**	**115,105.00**	(1,727,159)	42%

19.Notes to the Financial Statements

1. General Information

KIMILILI SUB COUNTY HOSPITAL is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Promotion services, preventive and rehabilitative services.

2. Statement of Compliance and Basis of Preparation

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

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

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. ***(State the impact of the standard to the Entity if relevant)***
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:

	(a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. ***(State the impact of the standard to the Entity if relevant)***
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. ***(State the impact of the standard to the Entity if relevant)***
Other improvements to IPSAS	***Applicable 1st January 2023*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement** Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. ***State the impact of the standard to the Entity if relevant***
IPSAS 43	***Applicable 1st January 2025***

	The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. ***State the impact of the standard to the Entity if relevant***
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, 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: 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. ***State the impact of the standard to the Entity if relevant***

ii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in the year xx/xx

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2021/2022 was approved by Board on quarterly basis Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of on the FY budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement

Notes to the Financial Statements (Continued)

of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c) Taxes

Sales tax/ Value Added Tax

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

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

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

f) Leases

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

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

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

Notes to the Financial Statements (Continued)

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

g) Intangible assets

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

h) Research and development costs

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

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

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

Notes to the Financial Statements (Continued)

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

Notes to the Financial Statements (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method

Notes to the Financial Statements (Continued)

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

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

j) Provisions

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

Notes to the Financial Statements (Continued)

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

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

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements.

Notes to the Financial Statements (Continued)

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit

plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are

Notes to the Financial Statements (Continued)

reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together

Notes to the Financial Statements (Continued)

with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Notes to the Financial Statements (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 6.

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.

6. Transfers From The County Government

Description	2021/22
	KShs
Unconditional grants	
Operational grant	0
Level 5 grants	0
Other grants	0

Conditional grants	
User fee forgone	0
Transforming health services for Universal care project (THUCP)	0
DANIDA	0
Wards Development grant	0
Paediatric block grant	0
Administration block grant	0
Laboratory grant	0
Total government grants and subsidies	**0**

Notes to the Financial Statements (Continued)

6 (b) Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2020/21
			KShs	KShs	KShs
xx County Government	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

7. In Kind Contributions from The County Government

Description	2021/22
	KShs
Salaries and wages	9,130,674
Pharmaceutical and Non-Pharmaceutical Supplies	0
Medical supplies-Drawings Rights (KEMSA)	0
Utility bills	0
Total grants in kind	**9,130,674**

Notes to the Financial Statements (Continued)

8. Grants From Donors and Development Partners

Description	2021/22
	KShs
Cancer Centre grant- DANIDA	0
World Bank grants	0

Paediatric ward grant- JICA	0
Research grants	0
Other grants (*specify)*	0
Total grants from development partners	**0**

Notes to the Financial Statements (Continued)

8 (a) Grants from donors and development partners (Classification)

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Total 2020/21
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	0	0	0	0	0
JICA	0	0	0	0	0
World Bank	0	0	0	0	0
Total	0	0	0	0	0

9. Transfers From Other Government Entities

Description	2021/22
	KShs
Transfer from National Government (Ministry of Health)	0
Transfer from xxx National Hospital	0
Transfer from xxx Institute	0
Total Transfers	**0**

10. Rendering of Services-Medical Service Income

Description	2021/22
	Kshs
Pharmaceuticals	4,073,177
Non-Pharmaceuticals	1,880,818

Laboratory	3,173,318
Radiology	940,700
Theatre	193,275
Outpatient medical services	6,261,008
Inpatient medical services	5,184,072
Dental services	663,880
Reproductive health	26,376,892
Pediatrics services	442,996
Total revenue from the rendering of services	**49,190,136**

Notes to the Financial Statements (Continued)

11. Revenue From Rent of Facilities

Description	2021/22
	KShs
Commercial property (welfare kiosk)	10,500.00
Total Revenue from rent of facilities	**10,500.00**

12. Medical/ Clinical Costs

Description	2021/22
	Kshs
Dental costs/ materials	346,600
Laboratory chemicals and reagents	2,675,881
Food and Ration	6,168,013
Uniform, clothing, and linen	646,806
Dressing and Non-Pharmaceuticals	10,249,568
Pharmaceutical supplies	6,027,638
Health information stationery	1,676,500
Sanitary and cleansing Materials	906,205
Purchase of Medical gases	191,705
X-Ray/Radiology supplies	387,000

Total medical/ clinical costs	**25,725,816**

13. Employee Costs

Description	2021/22
	Kshs
Salaries, wages, and allowances	9,130,674
Employee costs	**9,130,674**

Notes to the Financial Statements (Continued)

14. Board of Management Expenses

Description	2021/22
	Kshs
Sitting allowance	3,462,320
Total	**3,462,320**

15. Repairs and Maintenance

Description	2021/22
	Kshs
Property- Buildings	2,685,026.00
Medical equipment	857,344.00
Computers and accessories	45,000.00
Motor vehicle expenses	1,327,340.00
Total repairs and maintenance	**4,994,504.00**

16. General Expenses

Description	2021/22
	Kshs
Catering expenses	725,380
Insecticides and rodenticides	

	25,000
Bank charges	49,693
Electricity expenses	2,171,880
Travel and accommodation allowance	1,827,040
Courier and postal services	9,450
Printing and stationery	868,260
Water and sewerage costs	506,890
Telephone and mobile phone services	348,700
other expenses (refined fuel and other fuel-wood)	2,077,600
Total General Expenses	**8,717,145**

Notes to the Financial Statements (Continued)

17. Cash and Cash Equivalents

Description	**2021/22**
	KShs
Current accounts	11,947,756.37
Total cash and cash equivalents	**11,947,756.37**

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

Description		**2021/22**
Financial institution	**Account number**	**KShs**
a) **Current account**		
Kenya Commercial bank	1129366596	11,947,756.37
Grand total		**11,947,756.37**

18. Receivables from Exchange Transactions

Description	**2021/22**
	KShs

Medical services receivables	49,190,136.00
Rent receivables	10,500.00
Other exchange debtors	
Less: impairment allowance	
Total receivables	**49,200,636.00**

Notes to the Financial Statements (Continued)

19. Inventories

Description	**2021/22**
	KShs
Pharmaceutical supplies	0
Maintenance supplies	0
Food supplies	0
Linen and clothing supplies	0
Cleaning materials supplies	0
General supplies	0
Less: provision for impairment of stocks	0
Total	**0**

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**
	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2021								-
Additions				57,105.00	58,000.00			115,105
Disposals								-
Transfer/adjustment								-

s								
At 30th June 2022				**57,105.00**	**58,000.00**			**115,105.00**
								-
								-
Net book values								-
At 30th June 2021								-
At 30th June 2022				**57,105.00**	**58,000.00**			**115,105**

Notes to the Financial Statements (Continued)

21. Trade And Other Payables

Description	**2021/22**
	Kshs
Trade payables	51,841,433
Total trade and other payables	51,841,433

22. Cash Generated from Operations

	2021/22
Surplus for the year before tax	2,640,797.00
Working Capital adjustments	
Increase in inventory	
Increase in receivables	
Increase in deferred income	
Increase in payables	3,363055.00
Increase in payments received in advance	
Net cash flow from operating activities	6,003,852.00

Notes to the Financial Statements (Continued)

23. Financial Risk Management

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

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

(i) Credit risk

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

Notes to the Financial Statements

Description	Total amount
	Kshs
At 30 June 2021	
Receivables from exchange transactions	
Receivables from -non-exchange transactions	
Bank balances	6,058,289
Total	**6,058,289**
At 30 June 2022	6,058,289
Receivables from exchange transactions	49,200,636
Receivables from -non-exchange transactions	-
Bank balances	11,947,756.37
Total	67,206,681.37

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

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2022				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

(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.

Notes to the Financial Statements (Continued)

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.

a) Foreign currency risk

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

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(*liability*)	0	0	0

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	3,363,055		3,363,055
Borrowings	0	0	0
Net foreign currency asset/(*liability*)	0	0	0

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
2021			
Euro	10%	0	0
USD	10%	0	0
2022			
Euro	10%	0	0
USD	10%	0	0

Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

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

Sensitivity analysis

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

Notes to the Financial Statements (Continued)

iv) Capital Risk Management

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

	2021/22
	Kshs
Revaluation reserve	0
Retained earnings	2,937,797
Capital reserve	6,059,009
Total funds	**8,996,806**
Total borrowings	0
Less: cash and bank balances	0
Net debt/ (*excess cash and cash equivalents*)	0
Gearing	0

24. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

Notes to the Financial Statements (Continued)

i) The National Government;

ii) The Parent Ministry;

iii) Key management;

iv) Board of directors;

Description	2021/22 Kshs
Transactions with related parties	
a) Services offered to related parties	
Services to xxx	0
Sales of services to xxx	0
Total	**0**
b) Grants from the Government	
Grants from County Government	0
Grants from the National Government Entities	0
Donations in kind	9,130,674
Total	**9,130,674**
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for xxx employees	0
Payments for goods and services for xxx	0
Total	**0**
d) Key management compensation	
Directors' emoluments	0
Compensation to the medical Sup	0
Compensation to key management	0
Total	**9,130,674**

Notes to the Financial Statements (Continued)

25. Segment Information

26. Contingent Liabilities

Contingent liabilities	2021/22
	Kshs
Court case xxx against the company	0
Bank guarantees in favour of subsidiary	0
Total	**0**

27. Capital Commitments

Capital Commitments	2021/22
	Kshs
Authorised For	0
Authorised And Contracted For	0
Total	**0**

28. Events After the Reporting Period

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

29. Ultimate and Holding Entity

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

30. Currency

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

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 No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report.

(ii) Obtain the "Issue/Observation" and "management comments", required above, from the final external audit report that is signed by Management.

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible the for implementation of each issue.

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

....

Accounting Officer

APPENDIX II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	NONE					
2.						

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	NONE						
2							
3							

APPENDIX IV: Inter-Entity Confirmation Letter
[Insert your Letterhead]

[Insert name of beneficiary entity]
[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30th June 2022

		Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2022					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter–Ministerial (C)	Total (D)=(A+B+C)	Amount Received by [beneficiary entity] (Kshs) as at 30th June 2021 (E)	Differences (Kshs) (F)=(D-E)
Total							

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

Head of Accountants department of beneficiary entity:

Name WELYNGTON W. MAKANGA .... Sign ....Date 30-06-2022

KIMILILI SUB-COUNTY HOSPITAL MEDICAL SUPERINTENDENT 30 JUN 2022 P.O. Box 490-50204, KIMILILI

APPENDIX V Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of Medical Sup/MD/Head

Name and contact details of contact person (in case of any clarifications) …………………

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q 1	Q 2	Q 3	Q 4		

APPENDIX VI Disaster Expenditure Reporting Template

Date:						
Entity						
Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/ preparedness)	Expenditure item	Amount (Kshs.)	Comments