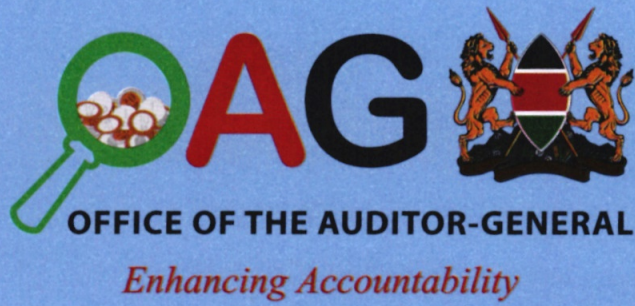


REPUBLIC OF KENYA



**REPORT**

**OF**

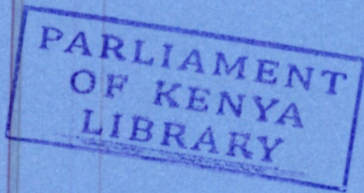
**THE AUDITOR-GENERAL**

**ON**

**MUKUYUNI SUB-COUNTY LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF MAKUENI**



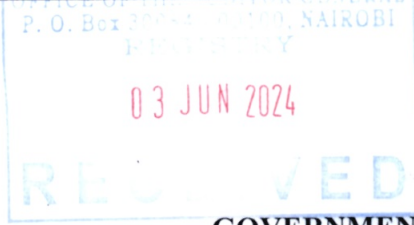
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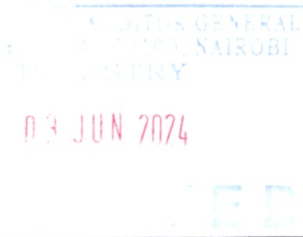
*Mukuyuni Sub County Hospital (Makueni County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

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REPUBLIC OF KENYA

GOVERNMENT OF MAKUENI COUNTY



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**MUKUYUNI SUB COUNTY LEVEL 4 HOSPITAL**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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**I. Key Entity Information and Management**

**(a) Background information**

Mukuyuni Sub County Hospital is a government facility located in Mukuyuni sub location, Ukia location, Kaiti division, Kaiti constituency in Makueni county at Latitude: -1.7479933 & Longitude: 37.4594095. The hospital started as a dispensary, then as a health centre and later upgraded to a sub district hospital on 18<sup>th</sup> November 2011 via gazette notice no Vol.CXIII-No.112. The hospital nevertheless continued to operate as a health centre until 2019 when Dr Solomon Maundu was posted there as the first Medical Superintendent to steer the facility as a level 4 hospital. The hospital lies on a Land size of approximately 1.5 Acres and has a Catchment population of 9622 serving primarily Kaiti constituency residents. The hospital is domiciled in Makueni County under the Health Department and is governed by a Board of Management.

**(b) Principal Activities**

The principal activity/mission/ mandate of the *hospital* is to promote and participate in the provision of integrated and efficacious promotive, preventive, curative and rehabilitative health care services to all Citizens.

**Key Management**

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

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

**(c) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Solomon Maundu
2.	Hospital Administrator	Victor Sila
3.	Nursing Officer In charge	Joseph Kitung'ai
4.	Head of finance	Aleks Kimanzi
5.	Head of supply chain	Gladys Mwonga

*(Include all positions regarded as top management in your organisation).*

**(d) Fiduciary Oversight Arrangements**

- **Makueni County Assembly;** The County Assembly enacted the various legislation and performed the oversight required. They also reviewed the external audit reports and financial statements of the County Government as required by the law.
- **Controller of Budget (COB);** COB Provided the required guidelines in budget execution, through the county government and processed requisition for funds transferred to the hospital by Makueni County Government department of health services and provided oversight in budget implementation.
- **National Treasury (NT);** The NT Processed exchequer funds received from Makueni County Government, provided guidelines in preparation of hospital annual reports and financial statements.
- **Commission on Revenue Allocation (CRA);** CRA provided support in revenue allocation indirectly via Makueni County Government and also undertook the County Credit Rating;
- **Makueni County Audit Committee;** The Committee supported the hospital by reviewing internal audit reports shared by our mother department of health services and ensured corrective actions were taken to safeguard the internal controls of the County's financial operations. It also spearheaded preparation of the county risk management framework which was disseminated to the hospital.
- **Public Sector Accounting Standards Board;** the board developed the financial reporting templates and provided guidance on the accounting standards to be adopted by level 4 and 5 county hospital.
- **County Health Authority to Incur Expenditure Committee (CHAIEC).** The committee has been reviewing hospital budget, implementation, hospital operations and pending bills report to ensure that funds received are accounted for, suppliers are paid in good time and the hospital continues to offer high quality health care services.
- **Drugs and Therapeutic Committee** - whose primary function is to oversee medication safety and management and pharmacy regulation
- **Medical Board** - whose primary function is to act as an advisory body to the management

**(e) Entity Headquarters**

Mukuyuni Sub County Hospital  
P.O. Box 47 - OKIA  
Makueni County, KENYA

**(f) Entity Contacts**

Telephone: (+254) 741914676  
E-mail: mukyunisubcountyhospital@yahoo.com

**(g) Entity Bankers**

The Kenya Commercial Bank  
Wote Branch

**(h) Independent Auditors**

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




**(i) Principal Legal Adviser**

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




**(j) County Attorney**


P.O. Box. 78-90300,  
Makueni, Kenya

**II. The Board of Management**




Ref	Directors	Details
1.	<p><b>Joel Mwangangi</b></p> 	<p>He is the Chairman of the Hospital Management Committee. He holds a Diploma in Land Surveying. He is now retired and currently in farming and Community Development.</p> <p>Was appointed 26<sup>th</sup> March 2021</p>
2.	<p><b>Scolastica Makau</b></p> 	<p>She is a Member of the Hospital Management Committee. She holds a diploma in Nursing, now retired and currently in farming and Community Development.</p> <p>Was appointed 26<sup>th</sup> March 2021</p>
3.	<p><b>Felix mbilo</b></p> 	<p>He is a member of the Hospital Management Committee. His background is Information Technology but has largely ventured in business at Mukuyuni market.</p> <p>Was appointed 26<sup>th</sup> March 2021</p>
4.		





	<p><b>Dr Solomon Maundu</b></p> 	<p>He is the Medical Superintendent and Secretary to the Hospital Management Committee. He holds a Bachelor of Medicine &amp; Surgery from Moi University. He has a wealth of experience having served in various capacities including Personal Assistance to the former Executive Committee Member for Health Makueni as well as a Medical Officer in Makueni County Referral Hospital.</p>
<p>5.</p>	<p><b>Ruth Mwinzi</b></p> 	<p>She is a member of the Hospital Management Committee. She enjoys a wide experience in business management and she has a wealth of experience in serving in other boards for other institutions. Was appointed 26<sup>th</sup> March 2021</p>
<p>6.</p>	<p><b>Rev. Benjamin Kaindi</b></p> 	<p>He is a member of the Hospital Management Committee. He is a pastor and holds a Degree in Bible &amp; Theology and his current occupation is a Church Pastor. Was appointed 26<sup>th</sup> March 2021</p>

7.	<p><b>Jamlick Mwina</b></p> 	<p>He was a member of the Hospital Management Committee until February 2022 when he resigned to pursue other interest in elective post as a Member of County Assembly, Ukia ward in the forthcoming general elections. He holds master's in education. Was appointed 26<sup>th</sup> March 2021</p>
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**III. Management Team**

Ref	Management	Details
1.	<p><b>Dr Solomon Maundu</b></p> 	<p>He is the Medical Superintendent and Secretary to the Hospital Management Committee. He holds a Bachelor of Medicine &amp; Surgery from Moi University. He has a wealth of experience having served in various capacities including Personal Assistance to the former Executive Committee Member for Health Makueni as well as well as a Medical Officer in Makueni County Referral Hospital.</p>
2.	<p><b>Victor Sila</b></p> 	<p>He is the Hospital Administrative Officer. He holds a diploma in Business Administration and has over 15 years of experience as a health administrative officer in various hospitals.</p>
3.	<p><b>Aleks Kimanzi</b></p> 	<p>He is the hospital accountant. He holds a bachelor's degree in Business Management-(Accounting) from Moi university. He is a Certified Public Accountant CPA(K) and a member of the Institute of Certified Public Accountants of Kenya(ICPAK). He has 12 years' experience in Accounting and Financial management in both Private and public sector</p>

4.	<p><b>Gladys Mwonga</b></p> 	<p>She is the procurement officer and a certified member of the Kenya Institute of Supplies Management. She holds a Bachelor’s degree in Procurement Science and Contract Management from Jomo Kenyatta University of Agriculture &amp; Technology. She has over 8 years’ experience as a supply chain Management Officer.</p>
5.	<p><b>Joseph Kitung’ai</b></p> 	<p>He is the Hospital Nursing Officer in charge. He holds a Diploma in nursing and has over 11 years working experience in the nursing field.</p> <p>He has served as the facility in charge Nthang’u Dispensary under whose steward the facility underwent a lot of improvements including being ranked the best in Kaiti Sub County in terms of Linda Mama reimbursements.</p>

#### **IV. Chairman's Statement**

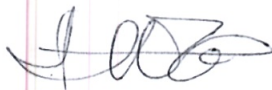
I have served as the board chair of Mukuyuni Sub County Hospital since 2015 when the facility was still operating as a health centre. Since the beginning of my tenure, the hospital has undergone tremendous growth having overseen its transformation from a level 3 to a level 4 hospital in 2019. The board has a leadership and governance role assisted by the Hospital Management Team. We are accountable for the delivery of safe and quality health care services to our patients while at the same time we are challenged by the economic realities and growing health care needs of our community.

The board acts as a bridge between the community and the hospital whereby community interests are taken care of. We articulate health issues to the community in a way they can understand.

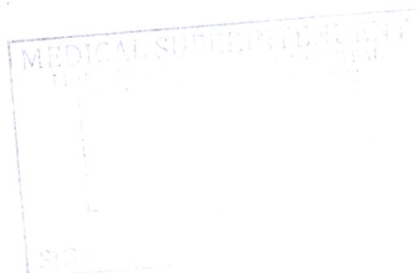
The board normally meets on a quarterly basis to review performance, primary health care and budgeting. The board holds three committee meetings every quarter, being the Primary Healthcare Committee, the Finance and General Purpose committee and the main board meeting. During the Primary Healthcare committee meetings, the members are briefed on matters of PHC activities at the hospital e.g. personal hygiene, water and sanitation, waste management, immunization and maternal child welfare.

The facility has been able to navigate through harsh economic hardships especially during the onset of Covid-19 pandemic in 2019 where the facility required additional infrastructure, commodities and drugs, personal protective gears, human resource and capacity building the human resource. The main challenges we faced were lack of isolation facilities, adequate personnel, enough Protective Personnel Gears and medical supplies. Some of the successes we have achieved in the last one year was paving of the car parking lot which was done by the help of KENHA during their routine maintenance of the Machakos Wote road. Another development project the hospital undertook was to renovate the nursing officer staff house.

Signed



JOEL MWANGANGI



## **V. Report of The Chief Executive Officer**

Mukuyuni sub county hospital has undergone tremendous growth in the past three years of its upgrading from a level 3 to a level 4 hospital. There were no structures resembling an hospital when we started yet we had to offer services depicting that of an hospital. Some of the immediate interventions we made were the introduction of Medical Outpatient Clinics (MOPC), improved maternity care and admissions, holding birth preparedness classes which were aimed at sensitizing mothers on advantages of hospital deliveries and focused antenatal clinic. As a result, our deliveries increased from a low of 34 in 2019 to 341 this financial year. The hospital has been having special clinics both weekly and monthly follow ups. Medical out-patient and out-patient clinics weekly are held on Tuesdays, Tb and nutrition clinic on Tuesdays, psychological counselling clinic is held on daily basis, physiotherapy and occupational therapy clinics are held daily. These clinics have enhanced service delivery at the hospital.

Key successes witnessed during the financial year include; Increase in out-patient workload from 33,387 Last financial years to 39,653 this financial year. There was also Introduction of M-PESA payment system. The hospital also managed to secure a donor who facilitated the Construction cabro in the hospital compound. The hospital was also able to acquire equipment which included 1 oxygen concentrators, 2pulse ox meters, 4 thermo-guns, 1 patient monitor, 1 wheel chairs, and 5 digital BP machine's which has enhanced the normal operation in the hospital.

Amid the great achievements, we faced challenges which included; great financial challenges following the covid19 pandemic where the sudden onset and nature of pandemic created a very difficult atmosphere. There was increase in demand for infrastructure like isolation wards, consumables like PPEs, gloves and masks, and also the need to capacity build and increase human resource. Generally, since then, there has been shortage of drugs and commodities. The facility faces limited space to accommodate both the administrative and curative services. No administration block, no offices. This situation is worse in the outpatient where there is crowding and lack of enough consultation rooms, limited space for medicals records and congestion in most of the service areas.

Underfunding and delayed disbursement of funds has affected the day to day operations of the hospital. The major expenditures in facility include but not limited to buying pharmaceuticals, Non pharmaceuticals, medical equipment, medial air and gases, maintenance of plant, building and equipment, casual and contracted professional wages, water and sewerage, bedding and linen, laboratory reagents, food and ration sanitary and cleansing, fuel for transport and production, publishing printing & general office supplies among others.

During 2021/2022 financial year, we have depended on ambulance services from Makueni county head quarter and Kaiti sub county.

The current fence surrounding the facility is dilapidated and in a bad shape and as such we face insecurity and roaming domestic animals like, cows, goats and sheep who have become a nuisance. The expansion is also limited due to small space for extension.

The facility also faces shortage of staff in various departments like nursing, medical, pharmacy and dental. This has increased the hospital expenditure on contracted professional services and locums. In nursing, some departments are manned by one nurse leading to overworking and decreased quality of care in the combined departments.

The way forward and outlook of the hospital cannot be discussed without having a Master plan and a strategic plan in place, currently the buildings are scattered all over the land. There is a need to fast track the issuance of the title deed to secure the hospital. Land.

There's also need to have a perimeter fence around the hospital. The current fence is dilapidated and in a bad shape causing insecurity and roaming domestic animals like, cows, goats and sheep has become a nuisance. The facility being on Wote –Machakos Highway and near Makongo escarpment receives both trauma related cases and medical emergencies and therefore we require an Accident and Emergency unit to handle such emergencies. The unit should offer integrated services such as rehabilitative services i.e. Occupational therapy, Physiotherapy orthopaedic trauma and plaster. Other departments include pharmacy, records etc. this will decongest the currently crowded/congested outpatient department.

During the last financial year, the facility handled 341 skilled deliveries all SVD and 60 referral cases. Due to this increase in deliveries and management of new-borns and the mothers post-delivery, there is need for a maternity unit to handle both pre and post-natal care. Currently the hospital does not have decent paediatric, female and male wards as per our level of care.

Our facility being established in the year 1976, most of the buildings are dilapidated hence requiring a face-lifting. to WHO. There's also need to put cabro pavement, painting and minor renovations and repairs.

There is need for construction of theatre, in patient department, staff quarters, and administration block. Having grown from a Health Centre to a level 4 facility, this requires additional staff, specialized staff in tandem with the level of care and according to WHO staffing Norms and Standards. The limited staff are currently facing burnout, are demotivated and therefore staff motivation activities like team building, locums, benchmarking, awarding best performing staff and end year parties will come in handy.

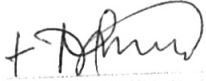
All the above activities may not be realized unless there is timely and adequate disbursement of funds to

*Mukuyuni Sub County Hospital (Makueni County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

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the hospital, coupled with good management of the disbursed funds.

Signed:



Dr. Solomon Maundu.  
Medical superintendent  
Mukuyuni Sub-County Hospital



## VI. Statement of Performance Against Predetermined Objectives

Mukuyuni sub-county hospital has *several* strategic pillars and objectives within the current Strategic Plan for the FY 2021- 2022. These strategic pillars are as follows;

Pillar 1: provision of quality health services

Pillar 2: reduction of maternal mortality

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Reduce communicable conditions	1. Reducing transmission of HIV.	1.The hospital commits to reduce new HIV/AIDS infections	1. Scaling up HIV testing and counselling services	<b>80% achievement</b>
	2.Reducing transmission of TB	2. Early identification of 55 new TB patients (30%)	2. Early identification of 55 new TB patients (30%)	<b>98% achievement</b>
Stop and reverse the rising burden of non-communicable conditions	1.Prevention of Alcohol and Drug Abuse	1. Reach out to 3,000 people through counselling services (50%) 2.Mainstream counselling intervention in all departments (50%)	Community mobilization and sensitization	<b>99% achievement</b>
Minimize exposure to health risk factors	Safety and Security Measures	The hospital commits to carry out safety and security baseline assessment	Preparing tools for baseline assessment (50%) Sensitizing managers to carry	<b>100% achievement</b>

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			out the assessment (50%)	
Provide essential health services	1.Reducing average length of hospital stay	1.The hospital commits to reduce the average length of hospital stay from 5 days to 2 days through:	1. Preparing hygiene protocols for all wards (50%) Holding monthly mortality audits (50%)	<b>100% achievement</b>
	2.The hospital commits to develop service charters for all departments 100%			<b>100% achievement</b>
	3.Reducing facility based maternal mortality rate	2.The hospital commits to reduce facility maternal mortality rate from 0 to 0 persons through strengthening MPDSR by ensuring:	2. Monthly reporting from the hospital committees (100%)	

## **VII. Corporate Governance Statement**

Corporate governance is the structure of rules, practices, and processes used to direct and manage a company. Good Corporate Governance ensures the delivery of Quality services as well as meeting the needs of our stakeholders. Mukuyuni sub-county hospital is committed to ensuring that the needs of our customers and the expectations of our stakeholders are met through the adoption of ethically driven business policies, procedures and processes.

We believe that our services should be carried out in a fair, transparent and accountable manner. It is our integral responsibility to disclose timely and accurate information on our financial performance as well as provide the leadership and effective governance for the hospital.

The hospital is run by a Health Management Committee appointed by the Executive Committee Member for health services Makueni County. The committee is charged with a mandate of

- (a) Oversight and administrative supervision
- (b) Promoting development
- (c) To approve plans, programmes and budgets for implementation The committee has three sub committees appointed among the members

### **A. Finance and general purpose committee**

Should comprise of

1. Not less than 4 members
2. 3 members should be from the community
3. Accountant should be a member of the committee
4. Can co-opt the administrator and the records officer
5. Chairman should be appointed from the members of the community

#### **Members of the committee**

1.	Felix Mbilu	Chairperson
2.	Ruth Mwinzi	Member
3.	Sub county administrator	Member
4.	Accountant	Member
5.	Other co-opted members	

### **B. Primary and quality healthcare**

#### **Members of the committee**

This committee holds meetings once in a quarter and is supposed to look into primary healthcare matters

*Mukuyuni Sub County Hospital (Makueni County Government)*  
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including personal hygiene, water and sanitation, waste management, immunization and maternal child welfare.

1.	Scolastica Makau	Chairperson
2.	SCMOH	Member
3.	Rev. Benjamin Kaindi	Member
4.	Medical Superintendent	Member
5.	Nursing officer in charge	Member
6.	Public health officer	Member

7.	Records officer	Member
8.	Health administrative officer	Member
9.	Other co-opted members	

### VIII. Management Discussion and Analysis

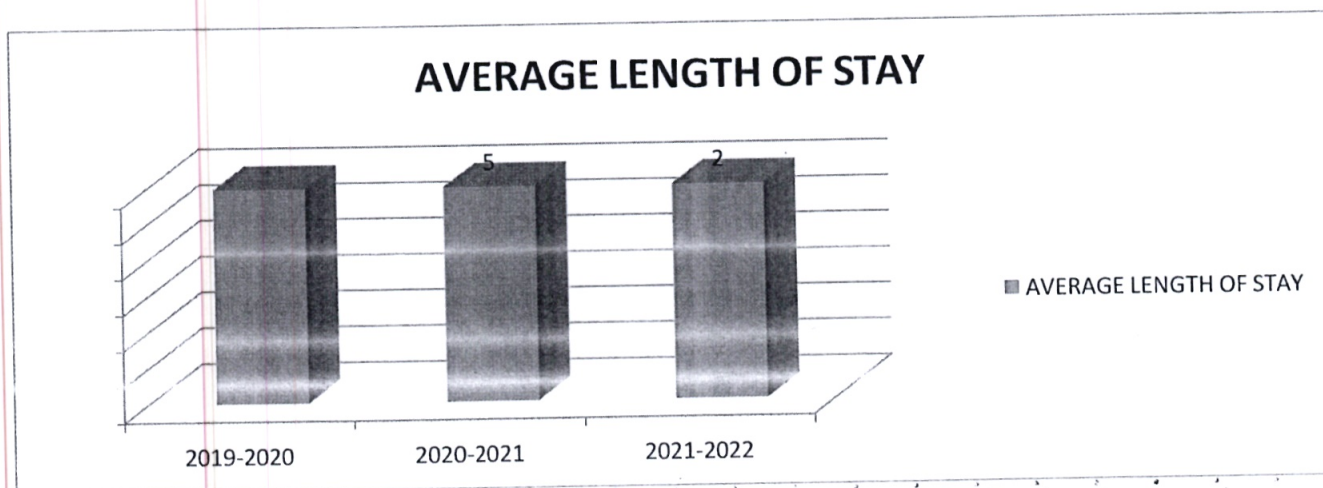
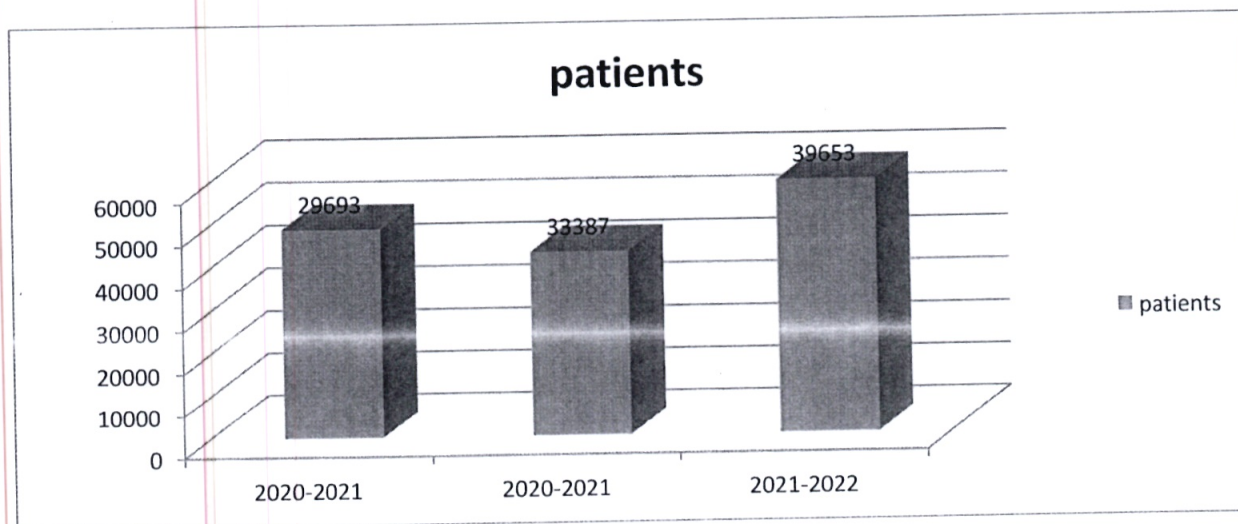
#### Clinical/operational performance

Mukuyuni Sub-County Hospital has a bed capacity of 20 as per the analysis below. The bed capacity has not changed for the last 3 years due to limited infrastructural expansion..

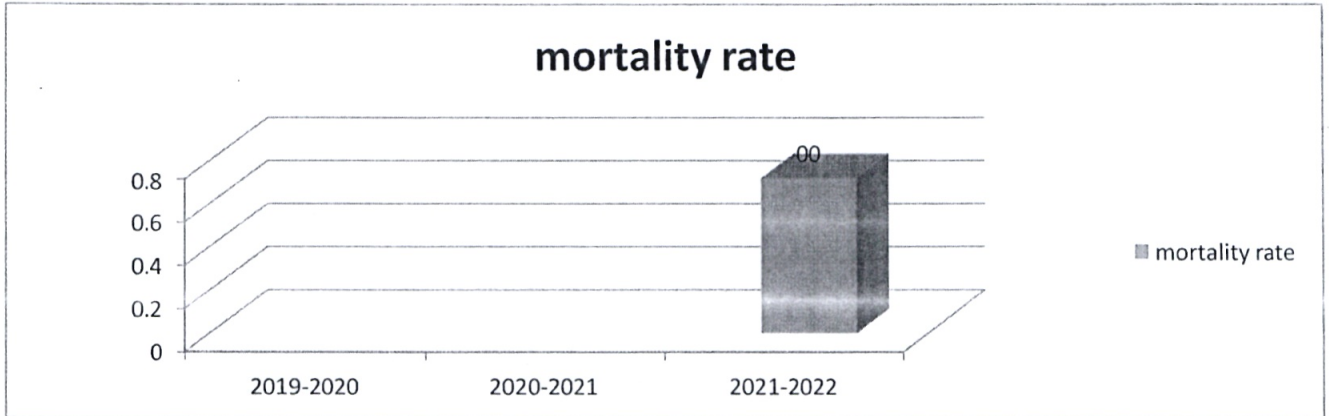
F/Y 21/22	Medical	Paediatrics	Maternity	Nursery/New-born	Total
Beds -Authorized	6	4	8	2	20
Beds- Actual physical	3	0	8	0	11
Cots- Authorized	0	2	1	4	9
Cots-Actual physical		2	1	0	3
Incubator authorized	0	0	0	0	0
Incubator- Actual	0	0	0	0	0

#### Overall patient attendance during the year for both inpatient and outpatient

#### OPD workload (F/Y'S 2019-2020, 2020-2021, 2021-2022)



**MORTALITY RATE 0**

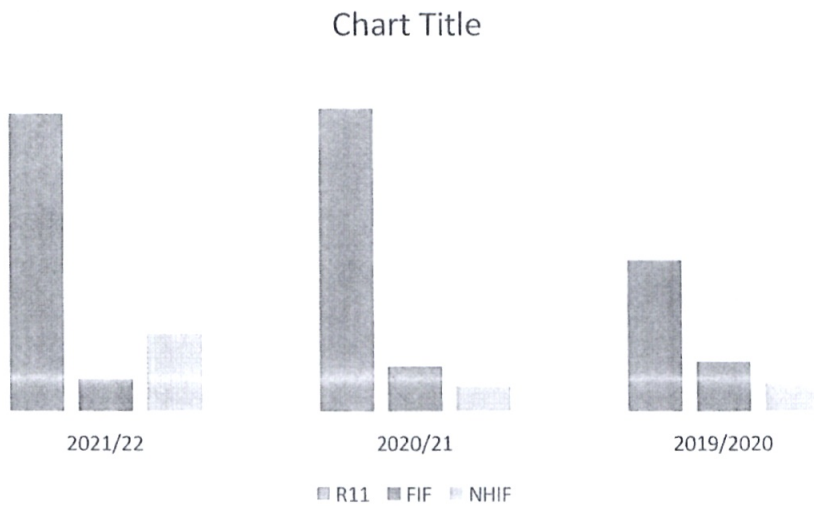


**Financial performance.**

**The main revenue streams available to the hospital include;**

- County government Recurrent allocation
- Facility improvement fund (FIF)
- NHIF (capitation, Linda Mama and EduAfya)

The table below shows the performance of the various sources of revenue for the last three years (2019/20 to 2021-2022).



**Utilisation of funds etc.**

<b>TOTAL BUDGETS -ALL REVENUE</b>			
<b>YEAR</b>	<b>BUDGET</b>	<b>UTILIZATION</b>	<b>ABSORPTION RATE</b>
2019-2020	4,200,000	4,119,390.00	99%
2020-2021	6,700,000	6,676,190.00	99%
2021-2022	7,300,000	7,287,040.00	98%

The hospital revenues have been on an upward trajectory since the upgrade to a level 4 hospital. We have witnessed an increase in both FIF collection and NHIF claims. There is however a big room for improvement with the right effort and commitment towards revenue generation.

**IX. Environmental and Sustainability Reporting**

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

***i) Sustainability strategy and profile***

In order to deliver on its priorities, Mukuyuni sub-county hospital takes a sustainable, long-term approach to business, putting patients at the heart of its operations and delivering consistently high-quality healthcare services. The Hospital upholds the highest standards of clinical governance and ethical behaviour across its platforms, invests significant time and resources in recruiting and retaining skilled staff, makes considerable investment into its facilities and equipment and respects the communities and environment in the areas in which it operates

***ii) Environmental performance***

There is need for proper management of waste and construction of incinerator.

***iii) Employee welfare***

Mukuyuni sub county hospital ensures that all staff are facilitated to attend trainings made to enhance their skills. All employee emoluments are also paid on time. The county trains and supports both short term and long term courses

*iv) Market place practices-*

*a) Responsible competition practice.*

All tenders are awarded competitively where every bidder is given a fair chance through a transparent process as prescribed in the procurement and disposal Act..

*b) Responsible Supply chain and supplier relations*

The Board strives to achieve an appropriate balance between its various stakeholders in the best interest of the organization by taking into account their legitimate interest and expectations in decision making. The Board values the importance of complete, timely, transparent and effective communication with its stakeholders for building and maintaining their trust and confidence by providing regular information on its performance, activities and addressing their concerns whilst having regard to legal and strategic considerations.

*c) Responsible marketing and advertisement*

The main avenues for communication are through stakeholder forums and local advertisements through the hospital notice board which is accessible to the public at all times.

*d) Product stewardship*

The Hospital's Service Charter has been cascaded to all staff and displayed at strategic locations, is monitored on a regular basis. The Charter stipulates the service delivery timelines, commitments and expectations of the hospitals clients.

*v) Corporate Social Responsibility / Community Engagements*

Mukuyuni sub county has made a concerted effort to operate in ways that enhance society and environment through inclusive healthcare inspired towards fulfilling public healthcare needs. We focus on bringing quality healthcare within the reach of all people regardless of their geographic location or economic status. Our Corporate Social Responsibility initiatives express our commitment and concern to the welfare of our employees and the patients we serve. These initiatives focus on community development and health, human rights, empowering people through education and dissemination of information. The hospital through health promotional activities engages communities to create awareness on NCDs, COVID 19 and other health educations etc. This ensures citizen visit health facilities for screening early enough before situations become worse.



## **X. 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 to bring quality healthcare within the reach of all people regardless of their geographic location or economic status. We focus on community development and health, human rights, empowering people through education and dissemination of information. The hospital through health promotional activities engages communities to create awareness on NCDs, COVID 19 and other health educations etc. This ensures citizen visit health facilities for screening early enough before situations become worse.

### **Results**

The results of the entity for the year ended June 30 are set out on page 29 to 37.

### **Board of Management**

The members of the Board who served during the year are shown on pages 7 to 9.

### **Auditors**

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

By Order of the Board



**Dr Solomon Maundu**  
**Secretary of the Board**  
**Mukuyuni sub county Hospital**

## **XI. Statement of Board of Management’s Responsibilities**

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of that 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. 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.

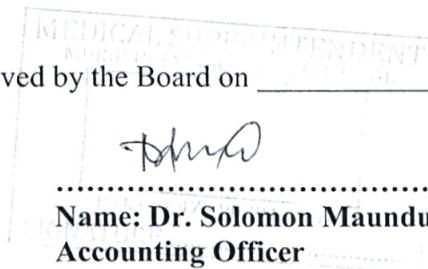
Nothing has come to the attention of the Board of management to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

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

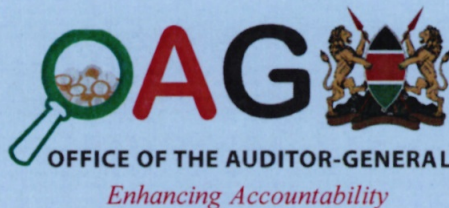


.....  
**Name: Joel Mwangangi**  
**Chairperson**  
**Board of Management**



.....  
**Name: Dr. Solomon Maundu**  
**Accounting Officer**

# REPUBLIC OF KENYA



Telephone: +254-(20) 3214000  
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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MUKUYUNI SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF MAKUENI**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Mukuyuni Sub-County Level 4 Hospital - County Government of Makueni set out on pages 2 to 46, which comprise of

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

In my opinion, except for the effect of 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 Mukuyuni Sub-County Level 4 Hospital - County Government of Makueni as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 the County Governments Act, 2012, the Health Act, 2017.

### **Basis for Qualified Opinion**

#### **1. Non-Disclosure of Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.2,032,678 as disclosed in Note 31 to the financial statements. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.2,032,678 could not be confirmed.

#### **2. Unconfirmed Inventories Balance**

The statements of financial position reflects Nil balance on inventories as disclosed in Note 30 to the financial statements. However, there was no evidence of the annual stock take having been conducted 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 inventories balance could not be confirmed.

#### **3. Non-Disclosure of Employee Costs Paid by The County Government**

The statement of financial performance reflects Kshs.1,586,550 for casuals and contractual staff as disclosed in Note 16 to the financial statements. The Hospital however, received services from (9) medical staff employed and paid for by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.1,586,550 could not be confirmed.

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

### **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. Late Submission of the Financial Statements**

Management of the Hospital submitted financial statements for the year ended 30 June, 2022 to the office of the Auditor-General on 29 April, 2023, seven (7) months later than the statutory deadline of 30 September, 2022. This is contrary to Section 47(1) of the Public Audit Act, 2015 which requires that financial statements should be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

#### **2. Failure to Prepare Quarterly Revenue Reports**

The statement of financial performance reflects Kshs.562,530 in relation to the rendering of services -medical income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County treasury with a copy to the Auditor General. This was contrary to Regulation 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.

### 3. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in April, 2024 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by staff requirements of 92 or 91% of the 101 authorized establishment.

Staff Requirements	Level 4 Hospital Standard	Number in Hospital	Variance	Percentage %
Medical officers	16	0	16	100
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	9	66	88
<b>Total</b>	<b>101</b>	<b>9</b>	<b>92</b>	<b>92</b>

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	14	136	91
Resuscitative (2 in Labor & 1 in Theatre)	5	0	5	100
New Born Unit Incubators	5	2	3	60
New Born Unit Cots	2	0	2	100
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	0	2	100

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health

care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

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

#### **4. Failure to Maintain Fixed Asset Register**

The statement of financial position reflects property, plant and equipment balance of Kshs.2,032,678 as disclosed in Note to the financial statements. However, the Hospital does not maintain fixed asset register to control its assets. This is contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the fund has ever evaluated its assets to ascertain the correct market values.

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

The audit was conducted in accordance with 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 matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

##### **1. Failure to Establish Internal Audit Function**

During the year under review, the Hospital did not establish an audit committee. Further, Management did not rely on the Internal Audit Department of the Makueni County Executive since no evidence that the Hospital had been audited by Internal Audit from the County Executive was provided for audit. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires each County Government entity to establish an Audit Committee. Further, Section 155(1) of the Public Finance Management Act, 2012 requires that a County Government entity

shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the internal controls, risk management and governance systems of the Hospital may not have been effective.

## **2. Lack of Risk Management Policy**

During the year under review, the Hospital did not have a risk management policy in place. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that provides that the County Government entity shall develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the internal controls and risk management of the hospital may not have been effective.

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

## **Responsibilities of Management and the Board of Management**

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

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

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

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



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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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

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

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**26 June, 2024**

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*Report of the Auditor-General on Mukuyuni Sub-County Level 4 Hospital for the year ended 30 June, 2022 – County Government of Makueni*

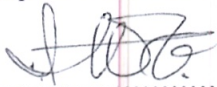
**XIII. Statement of Financial Performance for The Year Ended 30 June 2022**

Description	Notes	2021/22	2020/21
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	5,300,000	-
In-kind contributions from the County Government	7	7,171,642	-
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		<b>12,471,642</b>	-
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	11	562,530	-
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Other income	14	1,400,990	-
		<b>1,963,520</b>	-
<b>Total revenue</b>		<b>14,435,162</b>	-
<b>Expenses</b>			
Medical/clinical costs	15	9,187,540	-
Employee costs	16	1,586,550	-
Board of management expenses	17	172,000	-
Depreciation and amortization expense	18	390,450	-
Repairs and maintenance	19	498,580	-
Grants and subsidies	20	-	-
General expenses	21	2,367,371	-
Finance costs	22	-	-
<b>Total expenses</b>		<b>14,202,492</b>	-
<b>Other gains/(losses)</b>			
Gain on disposal of non-Current assets	23	0	-
Unrealized gain on fair value of investments	24	0	0
Medical services contracts Gains/Losses	25	0	0

**Mukuyuni Sub County Hospital (Makueni County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

Impairment loss	26	0	0
Gain on foreign exchange transactions		0	0
<b>Total other gains/(losses)</b>		<b>0</b>	<b>0</b>
<b>Net Surplus for the year</b>		<b>232,670</b>	<b>0</b>
Attributable to:			
Surplus/(deficit) attributable to minority interest		0	0
Surplus attributable to owners of the controlling entity		0	0

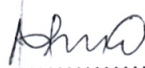
The Hospital's financial statements were approved by the Board on and signed on its behalf by:



.....  
**Chairman**  
**Board of Management**



.....  
**Head of Finance**  
**ICPAK No:**

MEDICAL SUPERINTENDENT  
MUKUYUNI SUB COUNTY HOSPITAL  
  
.....  
**Medical Superintendent**  
P.O. Box 47 - 20 001, U.S.A.  
SIGNATURE.....

*Mukuyuni Sub County Hospital (Makueni County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

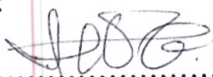
**XIV. Statement of Financial Position as at 30<sup>th</sup> June 2022**

Description	Notes	2021/22	2020/21
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	658,868	-
Receivables from exchange transactions	28	972,450	-
Receivables from non-exchange transactions	29	-	-
Inventories	30	-	-
<b>Total Current Assets</b>		<b>1,631,315</b>	-
<b>Non-current assets</b>			-
Property, plant, and equipment	31	2,032,678	-
Intangible assets	32	129,000	-
Investment property	33	-	-
<b>Total Non-current Assets</b>		<b>2,161,678</b>	-
<b>Total assets</b>		<b>3,792,996</b>	-
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	34	848,168	-
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
<b>Total Current Liabilities</b>		<b>848,168</b>	-
<b>Non-current liabilities</b>			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession liability	40	-	-
<b>Total Non-current liabilities</b>		-	-
<b>Total Liabilities</b>		<b>848,168</b>	-

**Mukuyuni Sub County Hospital (Makueni County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

<b>Net assets</b>			
Revaluation reserve		-	-
Accumulated surplus/Deficit		232,670	-
Capital Fund		2,712,157	-
		-	-
<b>Total Net Assets and Liabilities</b>		<b>3,792,996</b>	<b>-</b>

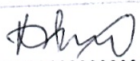
The Hospital's financial statements were approved by the Board on \_\_\_\_\_ and signed on its behalf by:

.....  


**Chairman  
Board of Management**

.....  

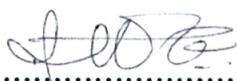

**Head of Finance  
ICPAK No:**

.....  
  
**Medical Superintendent**  
 SIGNATURE.....


**XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022**

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2020</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
<b>As at June 30, 2021</b>	-	-	-	-
	-	-	-	-
<b>At July 1, 2021</b>	-		-	
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	232,670	-	232,670
Capital/Development grants	-	-	2,712,157	2,712,157
<b>At June 30, 2022</b>	-	<b>232,670</b>	<b>2,712,157</b>	<b>2,944,827</b>

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



.....  
**Chairman**  
**Board of Management**



.....  
**Head of Finance**  
**ICPAK No:**



.....  
**Medical Superintendent**

*Mukuyuni Sub County Hospital (Makueni County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

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

Description	Note	2021/22 Kshs	2020/21 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		5,300,000	-
Grants from donors and development partners		7,171,642	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		562,530	-
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Other receipts(NHIF)		1,400,990	-
<b>Total Receipts</b>		<b>14,435,162</b>	-
<b>Payments</b>			
Medical/Clinical costs		9,187,540	-
Employee costs		1,586,550	-
Board of Management Expenses		172,000	-
Repairs and maintenance		498,580	-
Grants and subsidies		-	-
General expenses		2,367,371	-
Finance costs		-	-
Refunds paid out		-	-
<b>Total Payments</b>		<b>13,812,041</b>	-
<b>Net cash flows from operating activities</b>	41	498,840	-
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, & intangible assets		(594,149)	-
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		-	-
<b>Net cash flows used in investing activities</b>		<b>(594,149)</b>	-
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-95,309</b>	





**Mukuyuni Sub County Hospital (Makueni County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**


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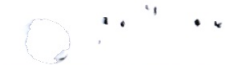
Cash and cash equivalents at 1 July 2021	27	754,177	-
<b>Cash and cash equivalents at 1 July 2022</b>	27	<b>658,868</b>	-

The notes set out on pages 38 to 52 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:

  
 .....  
 ..  
**Chairman**  
**Board of Management**

  
 .....  
 ..  
**Head of Finance**  
**ICPAK No:**

  
 .....  
 ..  
**Medical Superintendent**

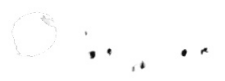


**XVII. Statement of Comparison of Budget and Actual Amounts for The Year Ended 30 June 2022**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	<b>a</b>	<b>b</b>	<b>c=(a+b)</b>	<b>d</b>	<b>e=(c-d)</b>	<b>f=d/c%</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Revenue</b>						
Transfers from the County Government	5,400,000	-	5,400,000	5,300,000	100,000	100%
Transfer of in kind contributions	-	7,171,642	7,171,642	7,171,642	-	100%
Transfers from other Government entities	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical Service Income	1,000,000	-	1,000,000	562,530	437,470	57%
Revenue from rent of facilities	-	-	-	-	-	%
Finance / interest income	-	-	-	-	-	%
Other receipts (NHIF)	2,000,000	-	2,000,000	1,400,990	599,010	70%
<b>Total income</b>	<b>8,400,000</b>	<b>7,171,642</b>	<b>15,571,642</b>	<b>14,435,162</b>	<b>1,136,480</b>	
<b>Expenses</b>						
Medical/Clinical costs	1,500,000	-	9,187,540	9,187,540	-	100%
Employee costs	1,450,000	-	1,548,000	1,586,550	-38,550	102%
Remuneration of directors	172,000	-	172,000	172,000	-	100%
Repairs and maintenance	1,500,000	-	1,414,179	498,580	915,599	35.26%
Grants and subsidies	-	-	0	-	-	-
General expenses	4,430,000	-	2,002,096	2,367,371	-365,275	118.24%
Finance costs	0	-	0	-	-	-
Refunds						
<b>Total Expenditure</b>	<b>9,052,000</b>	<b>-</b>	<b>14,323,815</b>	<b>13,812,041</b>	<b>-</b>	<b>-</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>623,121</b>	<b>-</b>	<b>-</b>
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

***Budget notes***

There was no major departure between the original budget and the actual budget because most of the funding came from the county treasury. The hospital had challenges catching up with the newly introduced electronic NHIF claims due to lack of the requisite equipments. The hospital therefore did not rely on own revenue during the financial year.



## **XVIII. Notes to the Financial Statements**

### **1. General Information**

Mukuyuni Sub County Hospital entity is established by and derives its authority and accountability from Public Finance Management Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of health care 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 Mukuyuni Sub County Hospital accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Mukuyuni Sub County Hospital.

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

### **3. Adoption of New and Revised Standards**

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

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*Notes to the Financial Statements*

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p>
	<p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>

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<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

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IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> 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.
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**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**

**ii) 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

**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

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cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

**Dividends**

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

**Rental income**

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

***Notes to the Financial Statements***

**b) Budget information**

The original budget for FY 2021/22 was approved by Board on 13<sup>th</sup> august 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs. 500,000 on the FY 2021/22 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 of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

**a. 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



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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.

**b. Investment property**

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

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

**c. 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.

***Notes to the Financial Statements (Continued)***

**a. Leases**

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

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

charges are recognized as finance costs in surplus or deficit.

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

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

#### **b. 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

#### **c. 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.

#### **d. Financial instruments**

##### **Financial assets**

##### **Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are

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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:

- 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**

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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:

1. Raw materials: purchase cost using the weighted average cost method
2. 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.

**e. Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

**Contingent liabilities**

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

**Contingent assets**

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

**f. 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.

**g. 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.

**h. Foreign currency transactions**

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

in which they arise.

**i. 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.

**j. 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.

**k. Service concession arrangements**

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

**l. 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.

**m. Comparative figures**

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

**n. 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.

**c) Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available.

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

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*Notes to the Financial Statements (Continued)*

**6) Transfers from The County Government**

Description	2021/22	2020/21
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant	5,300,000	-
Level 5 grants	-	-
Other grants	-	-
	-	-
<b>Conditional grants</b>		
User fee forgone	-	-
Transforming health services for Universal care project (THS-UCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
<b>Total government grants and subsidies</b>	<b>5,300,000</b>	<b>-</b>

**6 (a) 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
Makueni County Government	5,300,000	-	0	5,300,000	-
<b>Total</b>	<b>5,300,000</b>	<b>-</b>	<b>0</b>	<b>5,300,000</b>	<b>-</b>

*(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government. The details of the reconciliation have been included under appendix xxx).*



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*Notes to the Financial Statements (Continued)*

**7) In Kind Contributions from The County Government**

Description	2021/22	2020/21
	KShs	KShs
Salaries and wages	-	-
Pharmaceutical and Non-Pharmaceutical Supplies-	-	-
Medical supplies-Drawings Rights (KEMSA)	6,865,841	-
Utility bills- Electricity	305,801	-
<b>Total grants in kind</b>	<b>7,171,642</b>	-

*(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)*

**8) Grants From Donors and Development Partners**

Description	2021/22	2020/21
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants ( <i>specify</i> )	-	-
<b>Total grants from development partners</b>	-	-

*(Provide brief explanation for this revenue)*

**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	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**8 (b) Reconciliations of amortized grants**

Description	2021/22	2020/21
	KShs	KShs
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
<b>Conditions to be met - remain liabilities</b>	-	-

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*Notes to the Financial Statements (Continued)*

**9) Transfers from Other Government Entities**

Description	2021/22 KShs	2020/21 KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from xxx National Hospital	-	-
Transfer from xxx Institute	-	-
<b>Total Transfers</b>	-	-

**10) Public Contributions and Donations**

Description	2021/22 KShs	2020/21 KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations( <i>specify</i> )	-	-
Donations in kind-amortised	-	-
<b>Total donations and sponsorships</b>	-	-

*(Provide brief explanation for this revenue)*

**11) Rendering of Services-Medical Service Income**

Description	2021/22 KShs	2020/21 KShs
Pharmaceuticals	152,510	-
Non-Pharmaceuticals	6,970	-
Laboratory	114,180	-
Radiology	-	-
Orthopedic and Trauma Technology	7,350	-
Theatre	-	-
Accident and Emergency Service	-	-
Anesthesia Service	-	-
Ear Nose and Throat service	-	-
Nutrition service	-	-
Cancer centre service	-	-
Dental services	-	-
Reproductive health	-	-
Paediatrics services	-	-
Farewell home services	184,300	-
Other medical services income	97,220	-
<b>Total revenue from the rendering of services</b>	<b>562,530</b>	-

*(other medical services fee relates to other charges not listed above)\**

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*Notes to the Financial Statements (Continued)*

**12) Revenue from Rent of Facilities**

Description	2021/22	2020/21
	KShs	KShs
Residential property	-	-
Commercial property	-	-
<b>Total Revenue from rent of facilities</b>	-	-

*(Provide brief explanation for this revenue)*

**13) Finance /Interest Income**

Description	2021/22	2020/21
	KShs	KShs
Cash investments and fixed deposits	-	-
Interest income from short- term/ current deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
<b>Total finance income</b>	-	-

*(Provide brief explanation for this revenue)*

**14) Other Income**

Description	2021/22	2020/21
	KShs	KShs
Insurance recoveries	1,400,990	-
UHC Registration (included in FIF-note II)	-	-
Income from sale of tender	-	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-
<b>Total other income</b>	<b>1,400,990</b>	-

*(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).*

**15) Medical/ Clinical Costs**

Description	2021/22	2020/21
	KShs	KShs
Dental costs/ materials	-	-
Laboratory chemicals and reagents	142,600	-
Public health activities	-	-
Food and Ration	778,298	-
Uniform, clothing, and linen	-	-
Dressing and Non-Pharmaceuticals	670,000	-

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Pharmaceutical supplies	59,000	-
Health information stationery		-
Reproductive health materials	-	-
Sanitary and cleansing Materials	366,000	-
Purchase of Medical gases	-	-
X-Ray/Radiology supplies	-	-
Other medical related clinical costs ( <i>specify</i> )	7,171,642	-
<b>Total medical/ clinical costs</b>	<b>9,187,540</b>	<b>-</b>

(Other medical/clinical related costs refers to all other costs involved in management of the patients directly not analysed above.)

**16) Employee Costs**

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	1,486,550	-
Contributions to pension schemes	-	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs ( <i>specify</i> )	100,000	-
<b>Employee costs</b>	<b>1,586,550</b>	<b>-</b>

(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)

**17) Board of Management Expenses**

Description	2021/22	2020/21
	KShs	KShs
Chairman's Honoraria	-	-
Sitting allowance	172,000	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
<b>Total</b>	<b>172,000</b>	<b>-</b>

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*Notes to the Financial Statements (Continued)*

**18) Depreciation and Amortization Expense**

Description	2021/22	2020/21
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
<b>Total depreciation and amortization</b>	<b>0</b>	<b>0</b>

**19) Repairs And Maintenance**

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings	245,030	-
Medical equipment	138,550	-
Office equipment	-	-
Furniture and fittings	-	-
Computers and accessories	115,000	-
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
<b>Total repairs and maintenance</b>	<b>498,580</b>	<b>-</b>

**20) Grants And Subsidies**

Description	2021/22	2020/21
	KShs	KShs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Other grants and subsidies( <i>specify</i> )	-	-
<b>Total grants and subsidies</b>	<b>-</b>	<b>-</b>

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**21) General Expenses**

Description	2021/22	2020/21
	KShs	KShs
Advertising and publicity expenses	-	-
Catering expenses	213,020	-
Waste management expenses	-	-
Insecticides and rodenticides	-	-
Other Fuels	77,000	-
Bank charges	22,855	-
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	-	-
Electricity expenses	-	-
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	802,211	-
Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	-	-
Printing and stationery	667,150	-
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	41,000	-
Skills development levies	-	-
Telephone and mobile phone services	180,000	-
Internet expenses	40,135	-

Description	2021/22	2020/21
	KShs	KShs
Staff training and development	-	-
Subscriptions to professional bodies	-	-
Subscriptions to newspapers periodical, magazines, and gazette notices	4,000	-
Library books/Materials	-	-
Refined fuels and lubricants	320,000	-
<b>Total General Expenses</b>	<b>2,367,371</b>	<b>-</b>

Notes to the Financial Statements (Continued)

22) Finance Costs

Description	2021/22	2020/21
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
<b>Total finance costs</b>	-	-

(Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

23) Gain/Loss On Disposal Of Non-Current Assets

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised ( <i>specify</i> )	-	-
<b>Total gain on sale of assets</b>	-	-

24) Unrealized Gain On Fair Value Investments

Description	2021/22	2020/21
	KShs	KShs
Investments at fair value	-	-
<b>Total gain</b>	-	-

Notes to the Financial Statements (Continued)

25) Medical Services Contracts Gains /Losses

Description	2021/22	2020/21
	KShs	KShs
Comprehensive care contracts with NHIF	-	-
Non- Comprehensive contracts care with NHIF	-	-
Linda Mama Program	-	-
Waivers and Exemptions	-	-
<b>Total Gain/Loss</b>	-	-

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**26) Impairment Loss**

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
<b>Total impairment loss</b>	<b>-</b>	<b>-</b>

**27) Cash And Cash Equivalents**

Description	2021/22	2020/21
	KShs	KShs
Current accounts	658,868	-
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others( <i>specify</i> )- Mobile money	-	-
<b>Total cash and cash equivalents</b>	<b>658,868</b>	<b>-</b>

**27 (a). Detailed Analysis of Cash and Cash Equivalents**

Description		2021/22	2020/21
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank-FIF		<b>626,212</b>	-
Kenya Commercial bank-R11		<b>32,655</b>	-
Equity Bank, etc		-	-
<b>Sub- total</b>		<b>658,868</b>	<b>-</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>c) Fixed deposits account</b>			
Bank Name		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>d) Others(<i>specify</i>)</b>			
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>Grand total</b>		<b>658,868.</b>	<b>-</b>



Notes to the Financial Statements (Continued)

28) Receivables From Exchange Transactions

Description	2021/22	2020/21
	Kshs	Kshs
Medical services receivables	972,450	-
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total receivables</b>	<b>972,450</b>	<b>-</b>

29) Receivables From Non-Exchange Transactions

Description	2021/22	2020/21
	Kshs	Kshs
Transfers from the County Government	5,300,000	-
Undisbursed donor funds	-	-
Other debtors ( <i>non-exchange transactions</i> )	-	-
Less: impairment allowance	-	-
<b>Total</b>	<b>5,300,000</b>	<b>-</b>

(Undisbursed donor funds refer to funds expected where conditions for disbursements have been met by the recipient as at the reporting date)

30) Inventories

Description	2021/22	2020/21
	KShs	KShs
Pharmaceutical supplies	-	-
Maintenance supplies	-	-
Food supplies	-	-
Linen and clothing supplies	-	-
Cleaning materials supplies	-	-
General supplies	-	-
Less: provision for impairment of stocks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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31) Property, Plant and Equipment

Description	Land	Buildings and Civil works	Mot or vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>								
At 1 <sup>st</sup> July 2021	-	349,700	-	928,930	464,350	-	-	1,742,980
Additions	-	<b>594,149</b>		-	-	-	-	594,149
Disposals	-	-		-	-	-	-	
Transfer/adjustments		-	-	-	-	-	-	
<b>At 30<sup>th</sup> June 2022</b>	-	<b>943,849</b>		<b>928,930</b>	<b>464,530</b>		-	<b>2,337,129</b>
<b>Depreciation and impairment</b>								
At 1 July 2021	-	-					-	
Depreciation for the year	-	75,507		74,314	154,628		-	304,450
Disposals	-						-	
Impairment	-						-	-
<b>At 30 June 2022</b>	-	<b>75,507</b>		<b>74,314</b>	<b>154,628</b>		-	<b>304,450</b>
At July 2021	-						-	
Depreciation	-						-	
Disposals	-						-	
Impairment	-						-	
Transfer/adjustment								

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Description	Land	Buildings and Civil works	Mot or vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
<b>At 30<sup>th</sup> June 2022</b>	-						-	
<b>Net book values</b>								
At 30 <sup>th</sup> June 2021	-	943,849		928,930	464,350			2,337,129
At 30 <sup>th</sup> June 2022	-	868,341		854,615	309,721			2,032,678

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*Notes to the Financial Statements (Continued)*

**32) Intangible Assets-Software**

Description	2021/22	2020/21
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>	215,000	-
Additions	-	-
Additions-Internal development	-	-
Disposal	-	-
<b>At end of the year</b>	<b>215,000</b>	-
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	-	-
Amortization for the period	86,000	-
Impairment loss	-	-
<b>At end of the year</b>	-	-
<b>NBV</b>	<b>129,000</b>	-

**33) Investment Property**

Description	2021/22	2020/21
	KShs	KShs
<b>At beginning of the year</b>	-	-
Additions	-	-
Fair value gain	-	-
Depreciation ( <i>where investment property is at cost</i> )	-	-
<b>At end of the year</b>	-	-

**34) Trade And Other Payables**

Description	2021/22	2020/21
	KShs	KShs
Trade payables	848,169	-
Employee dues	-	-
Third-party payments ( <i>unremitted payroll deductions</i> )	-	-
Audit fee	-	-
Doctors' fee	-	-
<b>Total trade and other payables</b>	<b>848,169</b>	-

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*Notes to the Financial Statements (Continued)*

**35) Refundable Deposits from Customers/Patients**

Description	2021/22	2020/21
	KShs	KShs
Medical fees paid in advance	-	-
Credit facility deposit	-	-
Rent deposits	-	-
Others ( <i>specify</i> )	-	-
<b>Total deposits</b>	-	-

**36) Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
<b>Balance at the beginning of the year</b>	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount & time value for money	-	-	-	-
<b>Total provisions</b>	-	-	-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-
<b>Total Provisions</b>	-	-	-	-

**37) Finance Lease Obligation**

Description	2021/22	2020/21
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
<b>Total</b>	-	-

**38) Deferred Income**

Description	2021/22	2020/21
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
<b>Total</b>	-	-

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38 (a) The deferred income movement is as follows:

Description	National government	International funders/ donors	Public contributions and donations	Total
<b>Balance b/f</b>	-	-	-	-
Additions during the year	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to statement of financial performance	-	-	-	-
Other transfers ( <i>Specify</i> )	-	-	-	-
<b>Balance C/F</b>	-	-	-	-

39) Borrowings

Description	2021/22 KShs	2020/21 KShs
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
<b>Balance at end of the period</b>	-	-

39. (a) Breakdown of Long- And Short-Term Borrowings

Description	2021/22 KShs	2020/21 KShs
Current Obligation	-	-
Non-Current Obligation	-	-
<b>Total</b>	-	-

*(Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).*

*Notes to the Financial Statements (Continued)*

**40) Service Concession Arrangements**

Description	2021/22	2020/21
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

**41) Cash Generated from Operations**

	2021/22	2020/21
	KShs	KShs
<b>Surplus for the year before tax</b>		
<b>Surplus for the Year Before Tax</b>	232,670	
<b>Adjusted for:</b>		
Depreciation	390,451	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
	623,121	
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	(972,450)	-
Increase in deferred income	-	-
Increase in payables	848,168.60	-
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>498,840</b>	-

**42) 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:

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**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Receivables from exchange transactions	972,450	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	658,867	-	-	-
<b>Total</b>	<b>1,790,567</b>	-	-	-

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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

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



**(ii) Liquidity risk management**

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. 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
<b>At 30 June 2021</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Trade payables	-	-	848,168	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	<b>848,168</b>	-

**(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

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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
<b>At 30 June 2021</b>			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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
<b>At 30 June 2022</b>			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

**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.

*Notes to the Financial Statements (Continued)*

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>20xx</b>			
Euro	10%	-	-
USD	10%	-	-
<b>20xx</b>			
Euro	10%	-	-
USD	10%	-	-

**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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs xxx).

**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:

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*Notes to the Financial Statements (Continued)*

	2021/22	2020/21
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ ( <i>excess cash and cash equivalents</i> )	-	-
<b>Gearing</b>	-	-

**43) Related Party Balances**

**Nature of related party relationships**

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

**Government of Kenya**

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

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

*Notes to the Financial Statements (Continued)*

Description	2021/22	2020/21
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to xxx	-	-
Sales of services to xxx	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
<b>Total</b>	-	-
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

**44) Segment Information**

*(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)*

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*Notes to the Financial Statements (Continued)*

**45) Contingent Liabilities**

<b>Contingent liabilities</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs</b>	<b>Kshs</b>
Court case xxx against the company	-	-
Bank guarantees in favour of subsidiary	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*(Give details)*

**46) Capital Commitments**

<b>Capital Commitments</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorised For	-	-
Authorised And Contracted For	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)*

**47) Events After The Reporting Period**

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

**48) Ultimate And Holding Entity**

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

**49) Currency**

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

**XIX. 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**

*(To be signed by the accounting officer of the Hospital)*

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**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						
2						

**Status of Projects completion**

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							



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**Appendix III: 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 30<sup>th</sup> 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 <i>[Insert name of beneficiary entity]</i> as at 30 <sup>th</sup> June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30th June 2022				Amount Received by <i>[beneficiary entity]</i> (KShs) as at 30 <sup>th</sup> June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

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

**Head of Accountants department of beneficiary entity:**

Name ..... Sign .....Date .....

**Appendix IV Reporting of Climate Relevant Expenditures**

Name of the Organization

Telephone Number

Email Address

Name of Medical Supp/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
				Q1	Q2	Q3	Q4		

**Appendix V Disaster Expenditure Reporting Template**

Date: [REDACTED]

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