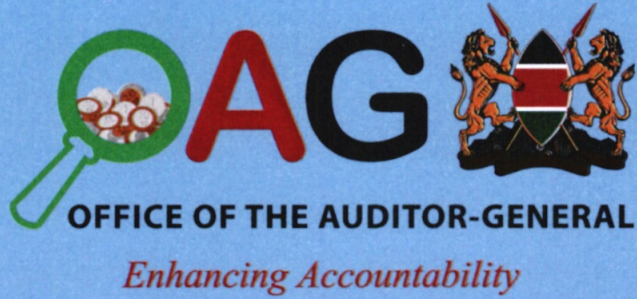


REPUBLIC OF KENYA



REPORT



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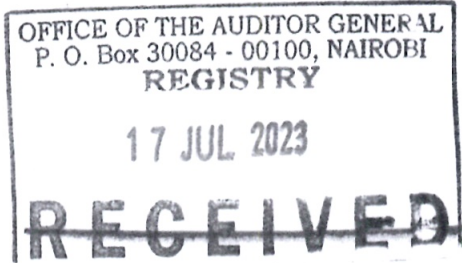
THE AUDITOR-GENERAL

ON

MUTOMO LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF KITUI



**MUTOMO LEVEL 4 HOSPITAL
(Kitui County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

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I. Key Entity Information and Management

(a) Background information

Mutomo Hospital is a level (4) hospital established and is domiciled in Kitui County under the county ministry of Health and Sanitation. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity of the hospital is to offer quality health care.

Vision: To be the leading hospital in the provision of quality client- centred health care services in the county and behold

Mission: To provide affordable and quality health care services to the community.

(c) Key Management

The Mutomo Level IV hospital management is under the following key organs:

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

(d) Fiduciary Management

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

1.	CECM – County Treasury	Bernard Katungi
2.	CECM- Health and Sanitation	Dr. Winnie Kitetu
3.	Chief Officer – County Treasury	Justus Kalii
4.	Chief Officer – Health and Sanitation	Kioko Kiilu
K	Medical Superintendent	Dr. Owen Apunda

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees
- Other oversight committees

(f) Entity Headquarters

P.O. Box 87 - 90201
Mutomo Level IV Hospital
Mutomo, Kitui

(g) Entity Contacts

Telephone: +254113112025
E-mail: mutomoleve4hospital@gmail.com
Website: www.kitui.go.ke

(h) Entity Bankers

Kenya Commercial Bank
Kitui Branch
P.O BOX 683- 90200
Kitui, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) County Attorney

P.O. Box. 33-90200
Kitui, Kenya

II. The Board of Management

1.	Professor Muasya	Chairperson
2.	Dr. Owen Apunda	Board Secretary
3.	Florence Ngalai	Kitui South Sub County Administrator
4.	Pauline Mwangangi	Member
5.	Rev Richard Mbui	Representative , Faith Based Organizations.
6.	Kaluku Nguuta	Member
7.	Esther Nduli	Member
8.	Milton Nyamai	Member
9.	Esther Nduli	Member

III. Management Team

1.	Bernard Katungi	CECM-County Treasury
2.	Dr. Winnie Kitetu	CECM-Health and Sanitation
3.	Justus Kalii	Chief Officer – County Treasury
4.	Kioko Kiilu	Chief Officer- Health and Sanitation
5.	Dr. Owen Apunda	Medical Superintendent
6.	CPA Winnie Mue	Head of Finance
7.	Rebecca Kisilu	Head of Nursing
8.	Fransicah Mulu	Head of Laboratory
9.	Jennifer Muisyo	Head of Pharmacy
10.	Ruth Mutinda	Head of Clinical Department
11.	Rosalia Kimuli	Head of Nutrition
12.	Maureen Kingondu	Head of Records
13.	Jacinta Mumbe	Head of Accounts & Revenue
14.	Glorious Kyalo	Head of Supply Chain
15.	Dickson Mutua	Head of Administration

IV. Chairman's Statement

As the chairman of the Board of Management Mutomo Level IV Hospital I am honoured to release our annual report for the year ended 30th June 2022. The report outlines key performance areas this guarantees all stakeholders' interest is met.

Operating Environment

Taking into consideration the Covid-19 pandemic that faced the entire country during this financial year, the economic growth generally slowed down which affected the health sector. The hospital funding received from the county government was not optimal as we had anticipated at the start of the financial year. However, we are trying our level best to deliver the optimal quality of health care services with the available limited resources. We continued to engage with our stakeholders to find solution for the challenges we are facing.

As the board we are committed to ensure our facility is socially responsible in areas of corporate service delivery, integrity and ethics especially in operations and human resources.

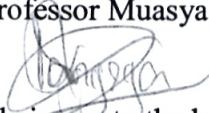
Expansion

Various programmes are underway to improve our facility to level IV standards.

We are liaising with ministry of health & sanitation to equip our theatre and also establish a spacious and modern OPD block that was started during the last financial year, the construction is still on foundation level.

Thank you

Professor Muasya


Chairman to the board

V. Report of The Chief Executive Officer

The performance of the facility has been fairly stable despite the challenges experienced this financial year. The facility is committed to ensure we provide the best health care services to this part of the county and behold.

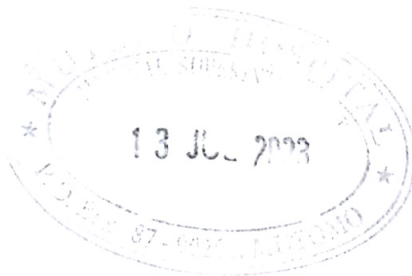
Optimal revenue collection will go a long way to ensure the facility have enough cash flow for its daily operations

I also take this opportunity to thank the board of directors from the ministry to facility level for their strategic guidance during this concluded financial year 2021/2022.

To the entire staffs of Mutomo Level IV Hospital who continue to serve our community with utmost dedication and care thank you.

Kind regards,
OWA
Dr. Owen Apunda

Medical Superintendent



VI. Statement of Performance Against Predetermined Objectives

Mutomo Level IV Hospital has 3 Strategic pillars and objectives within the current strategic plan for the FY 2021 –FY 2022.

Pillar /theme/issue 1: Increase Revenue

Pillar/theme/issue 2: Quality Service Delivery

Pillar/theme/issue 3: Reduce Infant Mortality

				Achievement
Increase Revenue	Increase sales	-Increased workload for patients paying using NHIF and Mpesa	-Weekly revenue report review - No cash payment Policy to enhance accountability -Train revenue clerks on NHIF claim process - Liaise with the ministry to equip our theatre and radiology department - Identify main revenue stream in the facility e.g. Lab services, Radiology Services	Revenue collection efficiency. Increased revenue volume
Quality Service Delivery	Quality Service Delivery	Customer Satisfaction	Offering customer – centred services -Prompt centred services -Prompt handling of customer complains	Increased customer satisfaction
Reduce Infant	Reduce the	-Reduced to Zero	-Preventing Birth defects	

Mortality	risk of infant mortality	infant deaths during birth and after	during antenatal and postnatal clinics -Enrolling expectant mothers on Linda mama Program to cater for their medical expenses during and after birth in case of any complications -New Born Unit incubator for safe infant environment in case of early child birth - Training expectant mothers on importance proper balance diet.	
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VII. Corporate Governance Statement

Corporate governance is of great importance to the improvement of health service delivery. We endeavour to conduct our services following the stipulated guidelines of health care providers to prevent corporate scandals, fraud and criminal liabilities.

Board of Directors

The composition of the board is compliant with corporate governance practises. The roles of the chairman and the Chief Executive Officer are clearly stipulated. The Medical Superintendent is in charge of the day to day running of the operations of the facility and the Secretary to the board. A non – executive director acts as the chairman of the board.

Board Meetings

Board meetings are held every quarter and in exceptional circumstances as dictated by demand and exigencies of operations

Process of appointment and removal of directors

The persons appointed shall be by name and by notice in the gazette. The person appointed shall hold office for a term of three years but shall on the basis of satisfactory performance be eligible for re- appointment for one further term of three years. A board member can cease to be a member if he/ she is judged a bankrupt

Induction and Training

After every annual general meeting, the directors undergo and induction and training
Ethics and Conduct of directors

To show commitment of proper utilization and management of public resources and proper running of corporation affairs, KICOTEC has developed a code of ethics to be signed by all board members. A code of ethics provides guidance and direction in the manner in which members of the board of directors are expected to conduct themselves when handling matter relating to the facility

VIII. Management Discussion and Analysis

Clinical/operational performance

Mutomo Level IV hospital has: -

- Bed capacity of 17
- Overall patient attendance during the year for both inpatient and outpatient of 11,850
- Accident and Emergency attendance of 460
- Average length of stay for inpatient of 3 – 5 days
- Bed occupancy rate of 8/17
- Sponsorships and partnerships with Catholic Medical Mission Board Kenya (CMMB)

Our facility collected revenue from rendering medical services amounting to Kshs. 5,757,961 and we believe we can do more if we improve on laboratory services and theatre services. Our theatre is not operating as at now.

Facility Improvement Funding ranges between Kshs. 540,000 to Kshs. 600,000 per month which is way below what would be expected if we are to improve on the quality of our services to Level IV facility standards.

IX. Environmental and Sustainability Reporting

Mutomo Level IV 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

Sustainability strategy and profile

We are planning on developing a sustainable strategy and profile for our facility going forward.

i) Environmental performance

We have an insulator machine that burns down all the hospital waste material.

We are also keep on planting trees; our compound is well taken care off.

ii) Employee welfare

We follow the stipulated human resource guidelines as directed by the Kitui county public service board when hiring casuals at facility level.

The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iii) Market place practices-

Our facility is committed to ensure fair competition, responsible supply chain and supplier relations, responsible marketing and advertisement and proper product stewardship going forward

iv) Corporate Social Responsibility / Community Engagements

We did not carry any CSR activities to give back to the community during the financial year. We look forward to organizing the same in the future.

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 activity of the entity is to provide quality health care services.

Results

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

Board of Management

The members of the Board who served during the year are shown on page VI.
No change on the board of management has been effected.

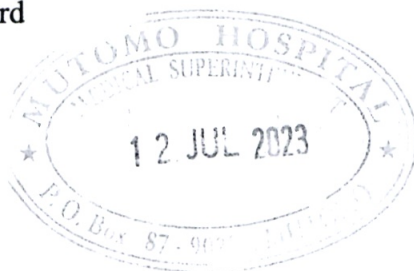
Auditors

The Auditor General is responsible for the statutory audit of the Mutomo Level IV hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

OWe

Dr Owen Apunda



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 Mutomo Level IV Hospital.

The Board of Management is responsible for the preparation and presentation of the Mutomo Level IV Hospital financial statements, which give a true and fair view of the state of affairs of the Mutomo Level IV Hospital 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 Mutomo Level IV Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the Mutomo Level IV Hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the Mutomo Level IV Hospital financial statements give a true and fair view of the state of Mutomo Level IV Hospital transactions during the financial year ended June 30, 2022, and of the Mutomo Level IV Hospital financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Mutomo Level IV Hospital, which have been relied upon in the preparation of the Mutomo Level IV Hospital financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 12th / 07 / 2023 and signed on its behalf by:

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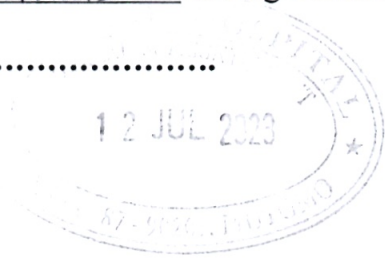
Dr. Owen Apunda
.....

Professor Muasya

Dr. Owen Apunda
Accounting Officer

Chairperson

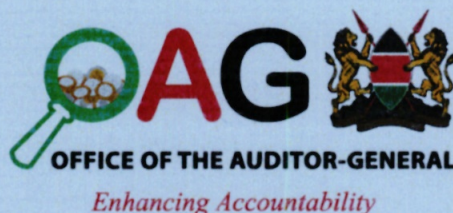
Board of Management



XII. Report of the Independent Auditor for Mutomo Level IV Hospital

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MUTOMO LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF KITUI

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such Hospitals are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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 Mutomo Level 4 Hospital - County Government of Kitui set out on pages 0 to 40, 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.

Qualified Opinion

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 the Mutomo Level 4 Hospital - County Government of Kitui 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 County Government Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.13,597. Review of the cash book and bank statements indicates that the facility operates an account with Kenya Commercial Bank (KCB). However, Management did not provide the board of survey report for audit review. Further, the facility has a standing imprest of Kshs.100,000 issued out on regular basis to facilitate operations. However, the Hospital did not maintain a petty cash book during the year under review.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.13,597 as at 30 June, 2022 could not be confirmed.

2. Inaccuracies of the Financial Statements

The statement of financial position reflects total assets of Kshs.1,617,059 against total liabilities and capital of Kshs.1,300,830 resulting in an unreconciled variance of Kshs.316,229.

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

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mutomo Level 4 Hospital - County Government of Kitui 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. Non-Compliance with Requirements on Universal Health Care

The statement of financial performance and as disclosed in Note 9 to the financial statements reflect employee costs of Kshs.1,101,254. Review of the records in the facility and analysis of healthcare staffing, interviews and physical verifications of medical equipment's available at the facility revealed that the facility has 36 health workers against the required 216 as per Kenya Quality Model for Health. Further, the facility does not offer all services that are required to be offered by a level 4 hospital and the facility's theatre was not functional.

In the circumstances, Management was in breach of the Universal Health Care Guidelines.

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 16 to the financial statements reflects trade and other payables of Kshs.1,300,830 as at 30 June, 2022. However, the payables were not reflected in the budget and did not form first charge as per the requirements of Regulation 139(7) of the Public Procurement and Asset Disposal Regulations, 2020 which states that, on receipt of an invoice or a fee note a procuring entity shall make payment on first come first paid basis.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Maintain an Assets Register

Records provided for audit revealed that the hospital did not maintain an asset register for its movable and non-movable assets. This is contrary to Regulation 170(1) of the Public Procurement and Asset Disposal Regulation, 2020 which provides that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession.

In circumstances, internal controls over asset management could not be ascertained.

2. Lack of Risk Management Policy

During the year under review, the Hospital did not have a risk management policy in place contrary to the provisions of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the County Government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the County Government entity develops a system of risk management and internal control that builds robust business operations.

In circumstances, the effectiveness on risk management could not be confirmed.

3. Weakness in Inventories Management

The statement of financial position and as disclosed in Note 12 to the financial statements reflects inventories balance of Kshs.1,374,619. Review of the records maintained at the facility revealed that the storage area for pharmaceuticals and non-pharmaceuticals was adequate with the supplies well-arranged and with bin cards to control the receipt and issues of the supplies. However, there was no air conditioner in the storage area to regulate the temperature. Further, expired drugs with undetermined value at the facility could not be confirmed as they were dumped with other wastes in a room in the kitchen area of the Hospital. In addition, the facility's pharmacy was not registered with the Pharmacy and Poisons Board.

In the circumstances, control over the storage of the pharmaceuticals and non-pharmaceuticals inventories could not be ascertained.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of appropriate basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi

12 October, 2023


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

Revenue from non-exchange transactions			
Transfers from the County Government	6	5,850,580	-
			-
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	5,757,961	-
Revenue from exchange transactions		-	-
Total revenue		11,608,541	-
Expenses			
Medical/Clinical costs	8	957,890	-
Employee costs	9	1,101,254	-
Transfer to county Revenue Fund	10	5,757,961	
Repairs and maintenance	11	2,170,000	-
General expenses	12	1,657,062	-
Total expenses		11,644,167	-
Other gains/(losses)			
Total other gains/(losses)		(35,626)	-
Net Surplus for the year			
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
Changes in Bank Balance		-	-


The Hospital's financial statements were approved by the Board on 12th/07/2022 and signed on its behalf by:



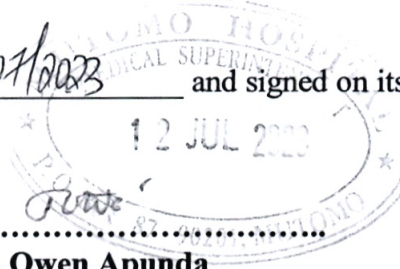
Professor Muasya
Chairman
Board of Management



CPA Winne Mue
Head of Finance
ICPAK No:28941



Dr. Owen Apunda
Medical Superintendent





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

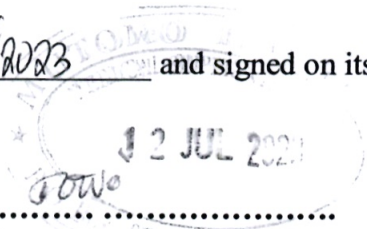
Assets			
Current assets			
Cash and cash equivalents	13	13,597	-
Inventories	14	1,374,619	-
Trade receivables	15	228,843	
Total Current Assets		1,617,059	-
Non-current assets			
Property, plant, and equipment	16	-	-
Intangible assets		-	-
Investment property		-	
Total Non-current Assets		-	-
Total assets		1,617,059	-
Liabilities			
Current liabilities			
Trade and other payables	17	1,300,830	-
Total Current Liabilities		1,300,830	-
Non-current liabilities			
Provisions		-	-
Non-Current Finance lease obligation		-	-
Non-Current portion of deferred income		-	-
Non - Current portion of borrowings		-	-
Service concession liability		-	-
Total Non-current liabilities		-	-
Total Liabilities		1,300,830	-
Net assets		316,229	
Revaluation reserve		-	-
Accumulated surplus/Deficit		(35,626)	-
Capital Fund		-	-
		-	-
Total Net Assets and Liabilities		280,603	-

Mutomo Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

The Hospital's financial statements were approved by the Board on 12th / 07 / 2023 and signed on its behalf by:


.....
Chairman
Board of Management


.....
CPA Winnie Mue
Head of Finance
ICPAK No:28941



.....
Dr. Owen Apunda
Medical Superintendent

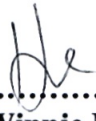
XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022

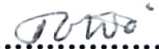
At July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(35,626)	-	(35,626)
Capital/Development grants	-	-	-	-
At June 30, 2022	-	(35,626)	-	(35,626)

The notes set out on pages 7 to 38 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 12/07/2023 and signed on its behalf by:


.....
Chairman
Board of Management

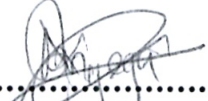

.....
CPA Winnie Mue
Head of Finance
ICPAK No:28941



.....
DR. Owen Apunda
Medical Superintendent


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

Cash flows from operating activities			
Receipts			
Transfers from the County Government		5,850,580	
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		5,757,961	-
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Other receipts(<i>specify</i>)		-	-
Total Receipts		11,608,541	
Payments			
Medical/Clinical costs		957,890	-
Employee costs		1,101,254	-
Transfer to county revenue fund		5,757,961	-
Repairs and maintenance		2,170,000	-
Grants and subsidies		-	-
General expenses		1,657,062	-
Finance costs		-	-
Refunds paid out		-	-
Total Payments		11,644,167	
Net cash flows from operating activities		(35,626)	-
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		-	-
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 July	17	49,233	-
Cash and cash equivalents at 30 July	18	13,597	-

The notes set out on pages 7 to 38 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 12th / 07 / 2023 and signed on its behalf by:


.....
Professor Muasya
Chairman
Board of Management



.....
CPA Winnie Mue
Head of Finance
ICPAK No:28941


.....
Dr Owen Apunda
Medical Superintendent


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

	A	b	c=(a+b)	d	e=(c-d)	f=d/c
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from the County Government	7,200,000	0	7,200,000	5,850,580	1,349,420	81.26%
Grants from donors and development partners	0	0	0	0	0	0
Transfers from other Government entities	0	0	0	0	0	0
Public contributions and donations	0	0	0	0	0	0
Rendering of services- Medical Service Income	0	0	0	0	0	0
Revenue from rent of facilities	0	0	0	0	0	0
Finance / interest income	0	0	0	0	0	0
Other receipts (<i>specify</i>)	0	0	0	0	0	0
Total income	7,200,000	0	7,200,000	5,850,580	1,349,420	81.26%
Expenses						
Medical/Clinical costs	1,080,000		1,080,000	957,890	122,110	88.69%
Employee costs	960,000	0	1,680,000	1,101,254	578,746	65.6%
Repairs and maintenance	2,820,000	0	2,820,000	2,170,000	650,000	80%
Grants and subsidies	0	0	0	0	0	0
General expenses	2,320,000	0	1,600,000	1,657,062	57,062	103.3%
Finance costs	0	0	0	0	0	0
Refunds	0	0	0	0	0	0
Surplus for the period	0	0	0	(35,626)	0	0
Capital expenditure						


The notes set out on pages 7 to 38 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 12th / 07 / 2023 and signed on its behalf by:



Professor Muasya
 Chairman
 Board of Management



CPA Winnie Mue
 Head of Finance
 ICPAK No:28941



Dr. Owen Apunda
 Medical Superintendent

XVIII. Notes to the Financial Statements

1. General Information

Mutomo Level IV Hospital is established by and derives its authority and accountability from health and sanitation Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide quality 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 *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Mutomo Level IV 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 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

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

IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial
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	<p>statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the 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>
<p>Amendments to Other IPSAS resulting from IPSAS 41,</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit

Mutomo Hospital (Kitui County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2022

Financial Instruments	<p>risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none">• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.• IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<p>Applicable 1st January 2025</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>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>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:</p> <p>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.</p>

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in the year 21/22

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery

of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

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

Dividends

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

Rental income

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

Notes to the Financial Statements (Continued)

b) Budget information

The original budget for FY 2021/2022 was approved by Board at the start of financial year. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. 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,

Mutomo Hospital (Kitui County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2022

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 XVII of these financial statements.

Notes to the Financial Statements (Continued)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 5 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

f) Leases

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

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

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

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

g) Intangible assets

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

Notes to the Financial Statements (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments

or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Notes to the Financial Statements (Continued)

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

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

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

Loans and borrowing

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

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

i) Inventories

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

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

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

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

j) Provisions

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

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.

Notes to the Financial Statements (Continued)

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.

k) Nature and purpose of reserves

The facility did not create or maintain reserves as at the end of this financial year

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.

l) 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.

Notes to the Financial Statements (Continued)

m) 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.

n) 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.

o) 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.

p) 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.

Notes to the Financial Statements (Continued)

q) 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 imp rests

and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

s) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

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

6. Transfers from The County Government

Unconditional grants		
Operational grant	5,850,580	-
Level 5 grants	0	-
Other grants	0	-
	0	-
Conditional grants		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Total government grants and subsidies	5,850,580	-

Mutomo Hospital (Kitui County Government)
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Notes to the Financial Statements (Continued)

6 Transfers from The County Government

Kitui County Government	5,850,580	0	0	5,850,580	5,850,580
Total	5,850,580	0	0	5,850,580	5,850,580

Notes to the Financial Statements (Continued)

7 Income from rendering of Medical Services

Mpesa	2,506,905
Kitui County Health Insurance Cover (KCHIC)	1,522,161
NHIF – Total Claims	1,928,895
Total	5,757,961

Notes to the Financial Statements (Continued)

8 Medical/ Clinical Costs

Food and Ration	274,890	-
Dressing and Non-Pharmaceuticals	52,000	-
Health information stationery	190,00	-
Sanitary and cleansing Materials	441,000	-
Total medical/ clinical costs	957,890	-

Mutomo Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

9 Employee costs

Salaries, wages, and allowances	1,082,854	-
Staff medical expenses and Insurance cover	18,400	-
Total Employee costs	1,101,254	-

10 Transfer to County Revenue Fund

Mpesa	2,506,905	
Kitui County Health Insurance Cover (KCHIC)	1,522,161	
NHIF – Total Claims	1,928,895	
Total	5,757,961	

11 Repairs and Maintenance

Property- Buildings	130,000	-
Office equipment	260,000	-
Motor vehicle expenses	110,000	-
Refined Fuel	1,670,000	-
Maintenance of civil works	130,000	-
Total repairs and maintenance	2,170,000	-

Mutomo Hospital (Kitui County Government)
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Notes to the Financial Statements (Continued)

12 General Expenses

Bank charges	13,452	-
Travel and accommodation allowance	494,800	-
Printing and stationery	136,810	-
Water and sewerage costs	712,000	-
Telephone, Mobile phone services and Internet expenses	300,000	-
Total General Expenses	1,657,062	-

13 Cash and Cash Equivalents

Current accounts	13,597	-
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	13,597	-

Notes to the Financial Statements (Continued)

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

a) Current account			
Kenya Commercial bank	1219303062	-	-
		-	-
Sub- total		13,597	-
Grand total		13,597	49,223

14. Inventories

Pharmaceutical supplies	1,343,959	0
Food supplies	27,860	0
Cleaning materials supplies	2,800	0
Total	1,374,619	0

15. Trade Receivables

Medical Services Receivables	1,928,895	1,700,052	228,843
Total	1,928,895	1,700,052	228,843

Mutomo Hospital (Kitui County Government)
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Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

Cost									
At 1 July 2020	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0	0	0	0	0
At 30th June 2021	0	0	0	0	0	0	0	0	0
At 1st July 2021									
At 1 st July 2021	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0	0	0	0	0
At 30th June 2022	0	0	0	0	0	0	0	0	0
Depreciation and impairment									
At 1 July 2020	0	0	0	0	0	0	0	0	0
Depreciation for the year	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0
At 30 June 2021	0	0	0	0	0	0	0	0	0
At July 2021	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0	0	0	0	0
At 30th June 2022	0	0	0	0	0	0	0	0	0
Net book values									

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[REDACTED]								
At 30 th June 2021	0	0	0	0	0	0	0	0
At 30 th June 2022	0	0	0	0	0	0	0	0

17. Trade and Other Payables

Trade payables	1,300,830	0
Total trade and other payables	1,300,830	0

17 Cash Generated from Operations

Adjusted for:		
Depreciation	0	0
Non-cash grants received	(0)	(0)
Impairment	0	0
Gains and losses on disposal of assets	(0)	(0)
Contribution to provisions	0	0
Contribution to impairment allowance	0	0
Working Capital adjustments		
Increase in inventory	(0)	(0)
Increase in receivables	(0)	(0)
Increase in deferred income	0	0
Increase in payables	0	0
Increase in payments received in advance	0	0
Net cash flow from operating activities	0	0

18 Financial Risk Management

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

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

i) Credit risk

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

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Notes to the Financial Statements (Continued)

At 30 June 2020				
Receivables from exchange transactions	0	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0
At 30 June 2022				
Receivables from exchange transactions	0	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0

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

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

(ii) Liquidity risk management

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

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

At 30 June 2022				
Trade payables	0	0	1,300,830	1,300,830
Total	0	0	1,300,830	1,300,830

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

Mutomo Hospital (Kitui County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2022

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.

i) 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:

At 30 June 20xx			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

At 30 June 20xx			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

20xx			
Euro	10%	0	0
USD	10%	0	0
20xx			
Euro	10%	0	0
USD	10%	0	0

Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Mutomo Hospital (Kitui County Government)

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Notes to the Financial Statements (Continued)

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 KShs0. A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 0.

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:

Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/ (<i>excess cash and cash equivalents</i>)	0	0
Gearing	0	0

19 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:

Mutomo Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

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

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

Mutomo Hospital (Kitui County Government)

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Notes to the Financial Statements (Continued)

20 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)

21 Contingent Liabilities

Court case - against the company	0	0
Bank guarantees in favour of subsidiary	0	0
Total	0	0

(Give details)

22 Capital Commitments

	Kshs	Kshs
Authorised For	0	0
Authorised And Contracted For	0	0
Total	0	0

23 Events After the Reporting Period

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

24 Ultimate and Holding Entity

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


25 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.



Guidance Notes:

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

.....
Dr. Owen Apunda
Accounting Officer



APPENDIX II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

[Redacted]						
1						
2						

Status of Projects completion

[Redacted]						
1						
2						
3						

Mutomo Hospital (Kitui County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2022

APPENDIX IV: Inter-Entity Confirmation Letter

Mutomo Level IV Hospital

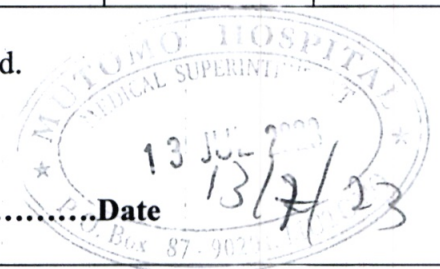
The Kitui county revenue wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Total (D)=(A+B+C)	Amount Received by [beneficiary entity] (KShs) as at 30 th June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)				
0001063	17/09/2021	600,000	0	0	600,000	0	600,000	
00010635	18/10/2021	600,000	0	0	600,000	0	600,000	
00010667	22/11/2021	600,000	0	0	600,000	0	600,000	
00010675	23/12/2021	600,000	0	0	600,000	0	600,000	
0001068	14/1/2022	450,580	0	0	450,580	0	450,580	
0001067	9/2/2022	600,000	0	0	600,000	0	600,000	
00010712	9/3/2022	600,000	0	0	600,000	0	600,000	
00010721	20/4/2022	600,000	0	0	600,000	0	600,000	
00010733	17/5/2022	600,000	0	0	600,000	0	600,000	
X22	8/6/2022	600,000	0	0	600,000	0	600,000	
Total		<u>5,850,580</u>	<u>0</u>	<u>0</u>	<u>5,850,580</u>	<u>0</u>	<u>5,850,580</u>	

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

Head of Accountants department of beneficiary entity:

Name Mutua Dickson Sign [Signature]



Date 13/7/22

APPENDIX V 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)

				Q1	Q2	Q3	Q4		

APPENDIX VI Disaster Expenditure Reporting Template

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
Program me	Sub-program me	Disast er Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/prepar edness)	Expendit ure item	Amou nt (Kshs.)	Comme nts