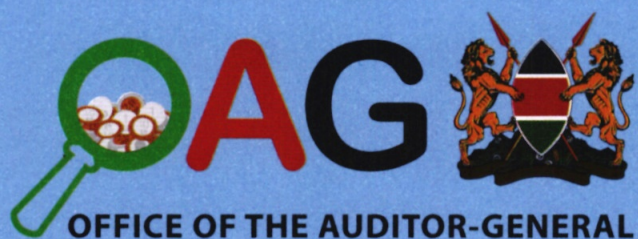


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

MASINGA LEVEL 4 HOSPITAL

FOR THE YEAR ENDED

30 JUNE, 2023

COUNTY GOVERNMENT OF MACHAKOS



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.
19 JUN 2024
RECEIVED



MASINGA Level 4 HOSPITAL (Machakos County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

DATE	18/09/24
TABLED BY	Majority leader
COMMITTEE	—
CLERK AT THE TABLE	Angela

Table of Contents

1. Acronyms & Glossary of Terms	ii
2. Key Entity Information and Management	iii
3. The Board of Management	v
4. Key Management Team	vi
5. Chairman's Statement	vii
6. Report of The Medical Superintendent	viii
7. Statement of Performance Against Predetermined Objectives	ix
8. Corporate Governance Statement	xi
9. Management Discussion and Analysis	xii
10. Environmental And Sustainability Reporting	xiii
11. Report of The Board of Management	xv
12. Statement of Board of Management's Responsibilities	xvi
13. Report of the Independent Auditor	xvii
14. Statement of Financial Performance for The Year Ended 30 June 2023	1
15. Statement of Financial Position As At 30 th June 2023	3
16. Statement of Changes in Net Asset for The Year Ended 30 June 2023	5
17. Statement of Cash Flows for The Year Ended 30 June 2023	6
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2023	8
19. Notes to the Financial Statements	10
20. Appendices	55

1. Acronyms & Glossary of Terms

Provide a list of all acronyms and glossary of terms used in the preparation of this report e.g.

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Masinga Hospital is a level (4) hospital established under gazette notice number 7269 and is domiciled in Machakos County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to ...
 (Under this section you may also include the entity's vision, mission and core objectives)

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Peter Mwaniki
2.	Head of finance	Seth Mutisya
3.	Head of supply chain	Roserita Mugambi
4.	Health Administrative officer	Stellamaris Mwanzia
5.	Nursing Services Manager	Florence Nderitu

(e) Fiduciary Oversight Arrangements

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

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 144
Masinga Level 4
Masinga Market
Masinga, KENYA

(g) Entity Contacts

Telephone (254)701-948-691
(044-21979
E-mail: masingahospital@gmail.com

(h) Entity Bankers

Commercial Banks

(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

Machakos County Legal Office
P.O. Box. 1996
Machakos, Kenya

3. The Board of Management

There is no Board of Directors in Masinga Level (4) Hospital.

4. Key Management Team

Management	Details
Peter Kyalo Mwaniki	Medical superintended/Accounting Officer
Florence Nderitu	Nursing Services Manager (NSM)
Stellamaris Mwanzia	Hospital Administrative Officer (HAO)

5. Chairman's Statement

There is no Board of Directors in Masinga Level (4) Hospital.

.....
Name

Chairman to the Board

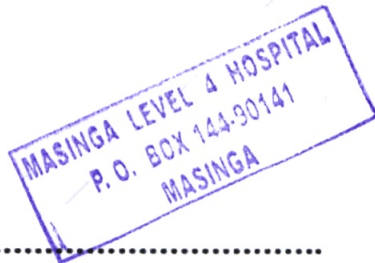
6. Report of The Medical Superintendent

Masinga Level 4 Hospital is in line with the Public Finance Management (PFM) Act, 2012. The Act requires final financial statements to be prepared, published, publicized and submitted to the County Assembly, Office of the Auditor General, the National Treasury, the Controller of Budget and Commission for Revenue Allocation within a period of three months after the end of each Financial Year.

Attached are the Hospital's Statements which have been prepared in line with the requirements of the PFM Act 2012, which present a true and fair view of state of affairs of the County Government of Machakos for the year ended 30th June, 2023.

The Financial statements highlights both qualitative and quantitative user information about the performance of the hospital based on the revenue received and collected from the county and NHIF or Facility Improvement Fund versus numerous expenses incurred in line to promotion of quality health care services.

Additionally, the financial statements have also enumerated various challenges that the management and staff faced during the year. Essentially, the challenges continue to be highlighted to top management and solved on need basis.



KYM

.....
Peter Kyalo Mwaniki

Medical Superintendent

7. Statement of Performance Against Predetermined Objectives

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government entity’s performance against predetermined objectives

Masinga Level 4 Hospital has *Five(5)* strategic objectives within the current Strategic Plan for the FY 2022-23. These objectives have been identified through a participatory process that reviewed the health priorities of the Governor’s Manifesto, the National Government’s “Big Four” and more specifically on Universal Health Care, NIUPLAN, SDGs and the MTP III. The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and health sector aspirations.

The strategic objectives are as follows;

- Free maternal health services
- Affordable health care services
- Strategic partnership with Donors for adequate funding
- Clinical services and products
- Healthcare financing and sustainability

Masinga Level 4 Hospital develops its annual work plans based on the above six objectives. Assessment of the management’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2022/2023 period for its own strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Maternal health care services	• To Provide free maternal health care services	• Number of maternal deliveries	• Surgeries, pre-natal and post natal services • Normal deliveries	• Managed to achieve 99% free maternal health care services
Affordable and timely health care services	• To Ensure timely provision of health care services to all patients	• Number of in-patients and out-patients served	• Treatment of in-patient and out-patient	• Managed to improve timely health care provision from 65% to 75%
Clinical services and products	• To Establish and enhance good clinical governance	• No. of stock-out tracer drugs • No. of prescription reviewed	• Rational use of Medications	• Hospital Drug formulary in place.

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

		<ul style="list-style-type: none"> • Updated SOPs • No. of Pharma covigilance conducted 	<ul style="list-style-type: none"> • Rational use of blood and blood products • Provision of Health products 	<ul style="list-style-type: none"> • %reduction in morbidity and mortality.
Healthcare financing and sustainability	<ul style="list-style-type: none"> •.To increase revenue Generation 	<ul style="list-style-type: none"> •.Revenue Reports •. %increase in revenue 	<ul style="list-style-type: none"> •.Diversify Revenue Streams •. Review User Fee Charges •. Increase Customer Base 	<ul style="list-style-type: none"> •.Revenue improved compared to previous year •. Review of user fees continuous and on progress
Strategic partnership	Conduct sensitization and research in order to attract donors	Number of donors offering financial support	-Collaboration with donors	Managed to partner with DANIDA and Red-Cross

8. Corporate Governance Statement

There is no Board of Directors in Masinga Level (4) Hospital

9. Management Discussion and Analysis

The main operational performance of Masinga Level 4 Hospital involves provision of health care services. However, while offering the services, the hospital collects some revenue from patients either in Mpesa-paybill or NHIF. The funds are transferred to County Revenue Fund (CRF) as per Public Financial Management (PFM) regulations 2015. Currently, the operations of the facility are managed by transfers from the County Government. The monies are used to improve the facility and provide both curative and preventive care services to Masinga residents. The main challenges faced include; delay in disbursement of funds from the County Treasury, large patients work load visa-vis available workforce, frequent breakdown of the equipment, cost of repairs and high cost of electricity bills.

Masinga Level 4 Hospital is governed by all medical regulatory frameworks, the constitution of Kenya 2010 and other statutory policies put in place either by the national or county government. To that extent, non –major non-compliance that may lead to contingent liabilities has been reported. The hospital has no pending court cases unless those of patients such as rape cases and which the facility must support upon request from law-enforcement agencies. However, the facility has pending account payables that should be settled from various suppliers.



The hospital is planning to implement the following projects,

- Overhauling the plumbing system of the hospital
- Renovating and painting the whole hospital
- Planting trees around the hospital and open spaces
- Renovation and maintenance of 3 mortuary chambers
- Construction of incinerator
- Automation of the hospital services
- Starting a dairy project and a kitchen garden to supplement the patients
- Install solar power lighting system.

The major risks facing Masinga level 4 Hospital and which the top management should address immediately for smooth operations and quality health care services include;

- Operational costs emanating from faulty and out-dated medical equipment.
- Market risks resulting from competition from private sector offering quality health care services
- Credit risk emanating from long outstanding pending bills
- Delayed Cashflow from County Treasury
- Over stretched work force in some sections within the facility.

All staff statutory deductions such as PAYE, NSSF and NHIF are remitted by the County Government. However, the facility has long outstanding pending bills which should be paid. Currently, the entity's is financially probity and as no serious governance issues which should be addressed.

Ky  
Name **Peter Kyalo Mwaniki**

Medical Superintendent

10. Environmental And Sustainability Reporting

Masinga Level 4 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

Include an Introductory paragraph on the main mandate of the organization and its strategy on sustainability. Sustainability being the ability to maintain or continue offering services to the citizens of the country over the long- term. The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors.

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

Outline efforts to safeguard consumer rights and interests.

v) Corporate Social Responsibility / Community Engagements

The organisation gives details of CSR activities carried out in the year and the impact to the society.

Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

11. Report of The Board of Management

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

Principal activities

The principal activities of the Masinga level 4 hospital is to provide the best health care service to the people of the Masinga community.

Results

The results of the entity for the year ended June 30 2023 are set out on pages 1 to 60.


Board of Management

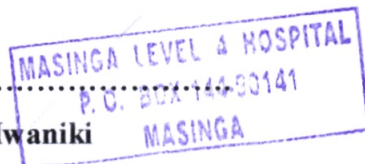
There were no members of the Board who served during the year 2022/2023.

Auditors

The Auditor General is responsible for the statutory audit of the Masinga Level 4 hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board


.....
Name Peter Kyalo Mwaniki
Medical Superintendent



12. Statement of Board of Management's Responsibilities

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

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

The Board of Management accepts responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 20xx, 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.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

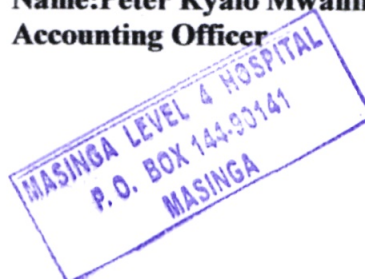
Nothing has come to the attention of the Board of management to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 7/6/24 and signed on its behalf by:

.....
Name:
Chairperson
Board of Management

Ky/M
.....
Name: Peter Kyalo Mwaniki
Accounting Officer



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 MASINGA LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF MACHAKOS

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Masinga Level 4 Hospital – County Government of Machakos set out on pages 1 to 55, which comprise of the

statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the 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 Masinga Level 4 Hospital - County Government of Machakos as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Government Act, 2012, the Health Act, 2017 and the Machakos County Health Services Act, 2021.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of financial position reflects total net assets and liabilities balance of Kshs.1,703,410. However, re-casting of balances reflects Kshs.752,090 resulting in an unexplained variance of Kshs.951,320. Further, accumulated reserves reflects a balance of Kshs.752,090 while the statement of changes in net assets reflects Kshs.839,424 resulting in an unexplained variances of Kshs.87,334. In addition, the statement of cash flows reflects cash and cash equivalents balance of Kshs.752,090 while a re-casting reflects Kshs.839,424 resulting in an unexplained variance of Kshs.87,334.

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

2. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil balance on property, plant and equipment as disclosed in Note 31 to the financial statements. However, the Hospital has assets which comprise land, buildings, ambulance, medical equipment, furniture and fittings which have not been disclosed in the financial statements. Further, the Hospital sits on approximately seventeen (17) acres of land. However, the title deed was not provided to confirm ownership.

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

3. Unconfirmed Inventories Balance

The statements of financial position reflect inventories balance of Kshs.225,000 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 inventories balances.

In the circumstances, the accuracy, completeness and valuation of the inventories balance of Kshs.225,000 could not be confirmed.

4. Non-Disclosure of Employee Costs Paid by the County Government

The statement of financial performance reflects employee costs of Kshs.138,000 for casuals and contractual staff as disclosed in Note 16 to the financial statements. The Hospital also received services from medical staff employed and paid 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.138,000 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Board of Management

Review of the report of Board of Management at page v of the financial statements revealed that the Hospital did not have a Board of Management. This was contrary to

Section 11 of the Machakos County Health Services Act, 2021 which requires, every Hospital to have Hospital Management Board.

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

2. Un-Balanced Budget

The statement of comparison of budget and actual amounts reflects final budget receipts of Kshs.3,690,554 and final expenditure budget of Kshs.2,938,464 resulting in budget surplus of Kshs.752,090. This is contrary to Regulation 31(c and e) of the Public Finance Management (County Governments) Regulations, 2015 which provides that budget revenue and expenditure appropriations shall be balanced and total budget revenue shall cover total budget expenditure.

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 ninety-three (93) or 92% of the authorized establishment

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	0	16	100
Anaesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Paediatricians	2	0	2	100
Radiologists	2	0	2	100
Registered Community Health Nurses	75	8	67	89
Total	101	8	93	92

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

Equipment & Machines	Level 4 Hospital Standard	Actuals In the Hospital	Variance	Percentage %
Bed Capacity	150	12	138	92
Incubators (New born)	5	0	5	100

Equipment & Machines	Level 4 Hospital Standard	Actuals In the Hospital	Variance	Percentage %
Cots	5	0	5	100
Resuscitaire in theatre	1	0	1	100
Resuscitaire in labour ward	2	1	1	50
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machines	5	0	5	100
Functional Operating theatres Maternity and 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 Prepare Quarterly Revenue Reports

The statement of financial performance reflects Kshs.827,220 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.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit Function

During the year under review, the Hospital did not have an internal audit unit in place. This was contrary to Section 155(1) and (3a) of the Public Finance Management Act, 2012 which requires a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit which should include reviewing the governance mechanisms of the entity and mechanisms for transparency and accountability with regard to the finances and assets of the entity.

In the circumstances, the internal controls, risk management and governance of the Hospital may not be 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 controls that builds robust business operations.

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

3. Failure to Maintain Fixed Asset Register

The statement of financial position reflects Nil balance in respect to property, plant and equipment as disclosed in Note 31 to the financial statements. However, the Hospital did not maintain fixed asset register to control its assets. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the Hospital 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.

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 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 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.

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 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

28 June, 2024

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description	Notes	FY 2022-2023 Kshs	FY 2021-2022 Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	2,740,000.00	1,000,000.00
In-kind contributions from the County Government	7		
Grants from donors and development partners	8	36,000	
Transfers from other Government entities	9	-	-
Public contributions and donations	10		
		2,776,000.00	1,000,000.00
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	827,220.00	858,960.00
Revenue from rent of facilities	12		
Finance /Interest Income	13		
Other income (<i>specify</i>)	14	87,334.10	-29.00
Revenue from exchange transactions		914,554.10	858,931.00
Total revenue		3,690,554.10	1,858,931.00
Expenses			
Medical/Clinical costs	15	521,640.00	469,123.00
Employee costs	16	138,000.00	176,000.00
Board of Management Expenses	17	-	-
Depreciation and amortization expense	18	-	-
Repairs and maintenance	19	639,000.00	315,545.00
Grants and subsidies	20	-	-
General expenses	21	1,639,824.00	810,929.00
Finance costs	22		
Inventories		-	-
Total expenses		2,938,464.00	1,771,597.00
Other gains/(losses)			
Gain on disposal of non-Current assets		-	-
Unrealized gain on fair value of investments		-	-
Medical services contracts Gains/Losses		-	-
Impairment loss		-	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus for the year		752,090.10	87,334.00

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		752,090.10	87,334.00

(The notes set out on pages 27 to 60 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 7/06/2024 and signed on its behalf by:

.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent



Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

15. Statement of Financial Position As At 30th June 2023

Description	Notes	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	752,090	87,334.00
Receivables from exchange transactions	28	-	-
Receivables from non-exchange transactions	29	726,320	-
Inventories	30	225,000	325,800
Total Current Assets		1,703,410	416,134
Non-current assets			
Property, plant, and equipment	31	-	-
Intangible assets	32	-	-
Investment property	33	-	-
Total Non-current Assets		-	-
Total assets		1,703,410	416,134
Liabilities			
Current liabilities			
Trade and other payables	34	-	-
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
Total Current Liabilities		-	-
Non-current liabilities			
Provisions		-	-
Non-Current Finance lease obligation		-	-
Non-Current portion of deferred income		-	-
Non - Current portion of borrowings		-	-
Service concession liability	40	-	-
Total Non-current liabilities		-	-
Total Liabilities		-	-

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Net assets			
Revaluation reserve		-	-
Accumulated surplus/Deficit		752,090	87,334.00
Capital Fund		-	-
		-	-
Total Net Assets and Liabilities		1,703,410	416,134

The Hospital's financial statements were approved by the Board on 7/06/24 and signed on its behalf by:

.....
Chairman
Board of Management

.....
Head of Finance
ICPAK No:

.....
Medical Superintendent

MASINGA LEVEL 4 HOSPITAL
P.O. BOX 144-00141
MASINGA

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021(previous year)	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	87,334	-	87,334
Capital/Development grants	-	-	-	-
As at June 30, 2022 (previous year)	-	87,334	-	87,334
At July 1, 2022	-	87,334	-	87,334
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	752,090	-	752,090
Capital/Development grants	-	-	-	-
At June 30, 2023	-	839,424	-	839,424

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description	Note	FY 2022/2023 Kshs	FY 2021/2022 Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		2,740,000	1,000,000.00
Grants from donors and development partners		36,000	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		827,220	858,960
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Other receipts(<i>specify</i>)		87,334	-29.00
Total Receipts		3,690,554	1,858,931.00
Payments			
Medical/Clinical costs		521,640	469,123.00
Employee costs		138,000	176,000.00
Board of Management Expenses		-	-
Repairs and maintenance		639,000	315,545.00
Grants and subsidies		-	-
General expenses		1,639,824	810,929
Finance costs		-	-
Refunds paid out		-	-
Total Payments		2,938,464	1,771,597.00
Net cash flows from/(used in) operating activities	40	752,090	87,334.00
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 from /(used in) investing activities		-	-
Cash flows from financing activities			

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
Net cash flows from /(used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		752,090	87,334.00
Cash and cash equivalents at 1 July	26		-
Cash and cash equivalents at June 2023	26	752,090	87,334.00

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description	Original budget	Adjustments	Final budget	Actual Cumulative to date	% of utilization
	a	b	c=(a+b)	d	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Transfers from the County Government	2,740,000.00	-	2,740,000.00	2,740,000.00	100%
Grants from donors and development partners	36,000.00	-	36,000.00	36,000.00	100%
Transfers from other Government entities	-	-	-		0%
Public contributions and donations	-	-			0%
Rendering of services- Medical Service Income	827,220.00	-	827,220.00	827,220.00	100%
Revenue from rent of facilities	-	-			0%
Finance / interest income	-	-			0%
Other receipts (specify)	87,334.10	-	87,334.10	87,334.10	100%
NHIF	-	-	-	-	0%
Total income	3,690,554.10	-	3,690,554.10	3,690,554.10	100%
Expenses					
Medical/Clinical costs	521,640.00	-	521,640.00	521,640.00	100%
Employee costs	138,000.00	-	138,000.00	138,000.00	100%
Remuneration of directors	-	-		-	0%
Repairs and maintenance	639,000.00	-	639,000.00	639,000.00	100%
Grants and subsidies		-		-	0%
General expenses	1,639,824.00	-	1,639,824.00	1,639,824.00	100%
Finance costs		-		-	0%
Refunds		-		-	0%
Inventories	-	-	-	-	0%

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Total expenditure	2,938,464.00	-	2,938,464.00	2,938,464.00	100%
Surplus for the period	752,090.10	-	752,090.10	752,090.10	

19. Notes to the Financial Statements

1. General Information

Masinga Level 4 Hospital is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Medical Service provision.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of 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>

Standard	Effective date and impact
	<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, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<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> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires:-</p> <ul style="list-style-type: none"> i. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

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 2022/2023 was approved by Board on xxxx. 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 xxxx on the FY 2022/2023 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 on page xxx under section xxx of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 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.

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.

Notes to the Financial Statements (Continued)

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the 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

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. 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.

Notes to the Financial Statements (Continued)

l. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m. Contingent liabilities

The 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.

n. 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.

o. Nature and purpose of reserves

The entity creates and maintains reserves in terms of specific requirements.

p. 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.

Notes to the Financial Statements (Continued)

q. 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.

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

The 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.

Notes to the Financial Statements (Continued)

u. 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.

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the 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. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	FY	FY
	2022/2023	2021/2022
	Kshs	Kshs
Unconditional Grants		
Operational Grant	2,740,000.00	1,000,000.00
Level 5 Grants	-	-
Other Grants	-	-
	2,740,000.00	1,000,000.00
Conditional Grants		
User Fee Forgone	-	-
Transforming Health Services For Universal Care Project (THUCP)	-	-
T DEPO United Caring		-
Wards Development Grant	-	-
Paediatric Block Grant	-	-
Administration Block Grant	-	-
Laboratory Grant	-	-
Total Government Grants And Subsidies	2,740,000.00	1,000,000.00

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	Comparative Period KShs
Machakos County Government	2,740,000	-	-	-	-
Total	2,740,000	-	-	-	-

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	FY2022/2023	FY 2021/2022
	KShs	KShs
Salaries and wages	-	-
Medical supplies-Drawings Rights (KEMSA)	-	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	-	-
Utility bills	-	-
Total grants in kind	-	-

8. Grants From Donors and Development Partners

Description	FY2022/2023	FY 2021/2022
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
T DEPO United Caring	36,000.00	-
Research grants	-	-
Other grants (<i>specify</i>)	-	-
Total grants from development partners	36,000.00	-

(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	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
Total	-	-	-	-	-

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Transfer from National Government (Ministry of Health)	-	-
Transfer from National Hospital Insurance Fund	-	-
Transfer from xxx Institute	-	-
Total Transfers	-	-

10. Public Contributions and Donations

Description	FY 2022/2023	FY 2021/2022
	Kshs	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	-	-
Total donations and sponsorships	-	-

10 (a) Reconciliations of amortised grants

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
Conditions to be met – remain liabilities	-	-

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	Period ended June 2023	Comparative Period prior year
	Kshs	Kshs
Pharmaceuticals		-
Non-Pharmaceuticals	-	-
Laboratory	-	-
Radiology	-	-
Orthopedic and Trauma Technology	-	-
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	-	-
Outreach services (Masinga Technical)	64,040.00	
Other medical services income(NHIF)	763,180.00	858,960.00
Total revenue from the rendering of services	827,220.00	858,960.00

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Residential property	-	-
Commercial property	-	-
Total Revenue from rent of facilities	-	-

13. Finance /Interest Income

Description	FY2022/2023	FY2021/2022
	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	-	-
Total finance income	-	-

14. Miscellaneous Income

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)		-
Balance b/f	87,334.10	- 29.90
Total other income	87,334.10	- 29.90

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Dental costs/ materials	-	-
Laboratory chemicals and reagents	81,510.00	51,729.00
Public health activities		-
Food and Ration	127,205.00	129,844.00
Uniform, clothing, and linen		26,910.00
Dressing and Non-Pharmaceuticals		-
Non-Pharmaceutical supplies	133,375.00	51,870.00
Health information stationery		104,310.00
Reproductive health materials		-
Sanitary and cleansing Materials	93,260.00	49,460.00
Purchase of Medical gases	14,800.00	-
X-Ray/Radiology supplies		-
Other medical related clinical costs (Emergency medical drugs)	71,490.00	55,000.00
Total medical/ clinical costs	521,640.00	469,123.00

16. Employee Costs

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Salaries, wages, and allowances	138,000.00	176,000.00
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>)	-	-
Employee costs	138,000.00	176,000.00

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	-	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
Total	-	-

18. Depreciation and Amortization Expense

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	-	-

19. Repairs And Maintenance

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Property- Buildings	411,005.00	228,565.00
Medical equipment	46,530.00	25,130.00
Office equipment	50,000.00	
Furniture and fittings		-
Computers and accessories		-
Motor vehicle expenses	131,465.00	61,850.00
Maintenance of civil works	-	-
Total repairs and maintenance	639,000.00	315,545.00

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies(<i>specify</i>)	-	-
Total grants and subsidies	-	-

21. General Expenses

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Advertising and publicity expenses	-	-
electricity	47,000.00	-
Catering expenses	14,490.00	-
Waste management expenses	-	-
Insecticides and rodenticides	-	-
Audit fees	-	-
Bank charges	11,319.00	11,793.00
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	-	-
Fuel expenses	538,630.00	363,071.00
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	291,400.00	246,105.00
Legal expenses	-	-
Licenses and permits	50,000.00	-
Courier and postal services	-	-
Office general supplies	165,075.00	-
Printing and stationery	331,890.00	26,910.00
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	99,570.00	100,000.00
Skills development levies	-	-
Telephone and mobile phone services	69,040.00	41,050.00

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Internet expenses		-
Staff training and development		-
Subscriptions to professional bodies		-
Subscriptions to newspapers periodical, magazines, and gazette notices		-
Library books/Materials		-
Parking charges		-
Other fuels	21,410.00	22,000.00
Total General Expenses	1,639,824.00	810,929.00

22. Finance Costs

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

23. Gain/Loss on Disposal of Non-Current Assets

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised (<i>specify</i>)	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain On Fair Value Investments

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Comprehensive care contracts with NHIF	-	-
Non- Comprehensive contracts care with NHIF	-	-
Linda Mama Program	-	-
Waivers and Exemptions	-	-
Total Gain/Loss	-	-

26. Impairment Loss

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

27. Cash And Cash Equivalents

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Current accounts	752,090.10	87,334.00
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	752,090.10	87,334.00

Notes to the Financial Statements (Continued)

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

Description		FY2022/2023	FY2021/2022
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1124139494	752,090.10	87,334.00
		-	-
Sub- total		752,090.10	87,334.00
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
Sub- total		-	-
d) Others(specify)			
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
Sub- total		-	-
Grand total		752,090.10	87,334.00

28. Receivables From Exchange Transactions

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Medical services receivables	-	-
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables	-	-

Analysis of Receivables From Exchange Transactions

Description	FY2022/2023		FY2021/2022	
	Kshs		Kshs	
	FY2022/2023	% of the total	FY2021/2022	% of the total
Less than 1 year	0	%	0	%
Between 1- 2 years	0	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (a+b)	0	%	0	%

29. Receivables From Non-Exchange Transactions

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Transfers from the County Government	-	0
Undisbursed donor funds	-	0
Other debtors (<i>non-exchange transactions</i>)	726,320	0
Less: impairment allowance	-	(0)
Total	726,320	0

Analysis of Receivables From Non-Exchange Transactions

Description	FY2022/2023		FY2021/2022	
	Kshs		Kshs	
	FY2022/2023	% of the total	FY2021/2022	% of the total
Less than 1 year	0	%	0	%
Between 1- 2 years	726,320	100%	0	100%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (a+b)	0	%	0	%

30. Inventories

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Pharmaceutical supplies	225,000	240,000
Maintenance supplies	-	9,000
Food supplies	-	54,800
Linen and clothing supplies	-	-
Cleaning materials supplies	-	22,000
General supplies	-	-
Less: provision for impairment of stocks	-	-
Total	225,000	325,800

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 20XX (previous year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 20XX	-	-	-	-	-	-	-	-
At 1 July 20XX (current year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments		-		-			-	-
At 30th Jun 20XX	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1 July 20XX (previous year)		-	-	-	-	-		-
Depreciation for the year		-	-	-	-	-		-
Disposals		(-)	(-)	(-)	(-)	(-)		(-)
Impairment		(-)	(-)	(-)	(-)	(-)		(-)
At 30 June 20XX		-	-	-	-	-		-

**Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At July 2023	-	-	-	-	-	-	-	-
Depreciation		-	-	-	-	-	-	-
Disposals		(-)	(-)	(-)	(-)	(-)		(-)
Impairment		(-)	(-)	(-)	(-)	(-)		(-)
Transfer/adjustment		-	-	-	-	-	-	-
At 30th June 2023		-	-	-	-	-	-	-
Net book values								
At 30 th Jun 2022	-	-	-	-	-	-	-	-
At 30 th Jun 2023	-	-	-	-	-	-	-	-

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	0	0
Additions-Internal development	0	0
Disposal	(0)	(0)
At end of the year	0	0
Amortization and impairment		
At beginning of the year	0	0
Amortization for the period	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	0	0

33. Investment Property

Description	FY2022/2023	FY2021/2022
	KShs	KShs
At beginning of the year	0	0
Additions	0	0
Disposals during the year	(0)	(0)
Fair value gain	0	0
Depreciation (<i>where investment property is at cost</i>)	(0)	(0)
Impairment	(0)	(0)
At end of the year	0	0

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

34. Trade and other Payables

Description	FY 2022/2023		FY 2021/2022	
	KShs		KShs	
Trade payables	0		0	
Employee dues	0		0	
Third-party payments (e.g. unremitted payroll deductions)	0		0	
Audit fee	0		0	
Doctors' fee	0		0	
Total trade and other payables	0		0	
Ageing analysis:	FY 2022/2023	% of the Total	FY 2021/2022	% of the total
Under one year	0	%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	0	%	0	%

35. Refundable Deposits from Customers/Patients

Description	FY 2022/2023		FY 2021/2022	
	KShs		KShs	
Medical fees paid in advance	0		0	
Credit facility deposit	0		0	
Rent deposits	0		0	
Others (specify)	0		0	
Total deposits	0		0	
Ageing analysis:	FY 2022/2023	% of the Total	FY 2021/2022	% of the Total
Under one year	0	%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	0	%	0	%

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

36. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilised	(0)	(0)	(0)	(0)
Change due to discount & time value for money	(0)	(0)	(0)	(0)
Total provisions	0	0	0	0
Current Provisions	0	0	0	0
Non-Current Provisions	0	0	0	0
Total Provisions	0	0	0	0

37. Finance Lease Obligation

Description	FY2022/2023	FY 2021/2022
	Kshs	Kshs
Current Lease obligation	0	0
Long term lease obligation	0	0
Total	0	0

38. Deferred Income

Description	FY2022/2023	FY 2021/2022
	KShs	KShs
Current Portion	0	0
Non-Current Portion	0	0
Total	0	0

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

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

Description	National government	International funders/donors	Public contributions and donations	Total
Balance b/f	0	0	0	0
Additions during the year	0	0	0	0
Transfers to Capital fund	(0)	(0)	(0)	(0)
Transfers to statement of financial performance	(0)	(0)	(0)	(0)
Other transfers (<i>Specify</i>)	(0)	(0)	(0)	(0)
Balance C/F	0	0	0	0

39. Borrowings

Description	FY2022/2023	FY 2021/2022
	KShs	KShs
Balance at beginning of the period	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	(0)	(0)
Repayments of domestic borrowings during the year	(0)	(0)
Balance at end of the period	0	0

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

Description	FY2022/2023	FY 2021/2022
	KShs	KShs
Current Obligation	0	0
Non-Current Obligation	0	0
Total	0	0

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

40. Service Concession Arrangements

Description	FY2022/2023	FY 2021/2022
	KShs	KShs
Fair value of service concession assets recognized under PPE	0	0
Accumulated depreciation to date	(0)	0
Net carrying amount	<u>0</u>	<u>0</u>
Service concession liability at beginning of the year	0	0
Service concession revenue recognized	(0)	(0)
Service concession liability at end of the year	<u>0</u>	<u>0</u>

41. Social Benefit Liabilities

Description	FY2022/2023	FY 2021/2022
	Kshs	Kshs
Health social benefit scheme	0	0
Unemployment social benefit scheme	0	0
Orphaned and vulnerable benefit scheme	0	0
People Living with Disabilities benefit Scheme	0	0
Elderly social benefit scheme	0	0
Bursary social benefits	0	0
Total	0	0
	0	0
Current social benefits	0	0
Non- current social benefits	0	0
Total (tie to totals above)	0	0

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

42. Cash Generated from Operations

Description	FY2022/2023	FY 2021/2022
	KShs	KShs
Surplus for the year before tax	0	0
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

Notes to the Financial Statements (Continued)

43. 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:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
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
At 30 June 2023				
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

Notes to the Financial Statements (Continued)

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 20xx				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 20xx				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

Notes to the Financial Statements (Continued)

(iii) Market risk

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the way it manages and measures the risk.

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:

Description	KShs Kshs	Other currencies	Total Kshs
At 30 June 2023			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities			
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.

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

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

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.

Description	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
20XX (previous year)			
Euro	10%	0	0
USD	10%	0	0
20XX (current year)			
Euro	10%	0	0
USD	10%	0	0

b) 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.

Notes to the Financial Statements (Continued)

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:

Description	FY 2022/2023	FY2021/2022
	Kshs	Kshs
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/ (excess cash and cash equivalents)	0	0
Gearing	0%	0%

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Notes to the Financial Statements (Continued)

44. 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.

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

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

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
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	0	0
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	0	0
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	0	0

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Description	FY 2022/2023	FY2021/2022
	Kshs	Kshs
Directors' emoluments	0	0
Compensation to the medical Sup	0	0
Compensation to key management	0	0
Total	0	0

45. Segment Information

46. Contingent Liabilities

Contingent liabilities	FY 2022/2023	FY2021/2022
	Kshs	Kshs
Court case xxx against the company	0	0
Bank guarantees in favour of subsidiary	0	0
Total	0	0

(Give details)

47. Capital Commitments

Capital Commitments	FY 2022/2023	FY2021/2022
	Kshs	Kshs
Authorised For	0	0
Authorised And Contracted For	0	0
Total	0	0

48. Events after the Reporting Period

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

49. Ultimate and Holding Entity

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

50. Currency

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

20. Appendices


Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible 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



Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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)

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

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Appendix IV Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Masinga Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments