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REPORT

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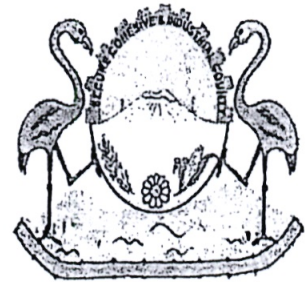
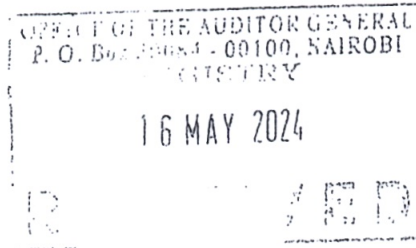
THE AUDITOR-GENERAL

ON

**ANNEX HOSPITAL – NAKURU
LEVEL 4 HOSPITAL**

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

COUNTY GOVERNMENT OF NAKURU



ANNEX HOSPITAL-NAKURU Level 4 HOSPITAL (NAKURU 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)**

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1. Acronyms & Glossary of Terms

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.
HMT	Health Management Team
EEC	Executive Expenditure Committee
HMC	Hospital Management Committee
AIE	Authority to Incur Expense
F/Y	Financial Year.

2. Key Entity Information and Management

(a) Background information

Annex Hospital Nakuru is a level (4) hospital established under gazette notice number 51 - vol. CXXIV-NO.2 and is domiciled in Nakuru County under the Department of Health. The hospital is governed by a Health Management Committee

(b) Principal Activities

The principal mandate of the hospital is to offer quality integrated health services to all.

VISION

- A healthy County

Mission

- To provide quality integrated health Services for all.

Mandate

- To provide health services, create an enabling environment, regulate, and set standards and policy for health service delivery.

Core Functions:

- Policy Implementation.
- Preventive and Promotive Health Services.
- Curative and Rehabilitative Health Services.
- Standards and Regulations.
- Monitoring and Evaluation of provision of Health care services.

Core Values:

- Customer Focused
- Professionalism
- Integrity
- Equity and Equality

(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

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(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Dorcas M. Murage
2.	Head of finance	CPA Jane Kamotho
3.	Head of supply chain	Ms Gaudenzia Wairimu
4.	Health Administrative Officer	Mr Joseph K. Wairagu
5.	Chief nurse officer	Mr Arphaxard Kemboi

(e) Fiduciary Oversight Arrangements

- Audit committee
- County Assembly
- Parliamentary committees
- Other oversight committees

Key Entity Information and Management (continued)

- (a) **Entity Headquarters**
ANNEX HOSPITAL - NAKURU,
P.O. Box 675 -20100
STATE HOUSE ROAD
Nakuru, KENYA

- (b) **Entity Contacts**
Telephone: (+254) 793832111
E-mail: pghnakuruannex@gmail.com
Website: www.nakuru.go.ke





- (c) **Entity Bankers**
National Bank. Nakuru Branch.

- (d) **Independent Auditors**
Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya




- (e) **Principal Legal Adviser**
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

- (f) **County Attorney**
Nakuru County
P.O. Box. 2870-20100
Nakuru, Kenya

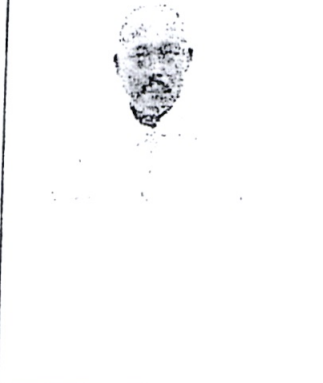

3. The Board of Management

Ref	Members	Details
1.	<p>Francis Kariu</p> 	<p>Age 65 years</p> <p>Academic qualification:</p> <p>1-MBA in businesses Management degree</p> <p>2-PGDE-postgraduate Diploma in Education</p> <p>3-Bsc degree</p> <p>4- Dip business management</p> <p>Experience in Administration for 15yrs both in civil service and the church</p>
2.	<p>Catherine Njeri Waweru</p> 	<p>48 years Old,</p> <p>Masters in Public Policy And Administration,</p> <p>15 years in Public Service On representation and policy making.</p> <p>Currently working in the private sector.</p>
3.	<p>Sabina Awiti</p> 	<p>59 years old, O-level certificate, accounts clerk. Worked in K.F.A as an accounts clerk for 20 years</p> <p>Currently a business lady.</p>
4.	<p>Johnson Njatha</p> 	<p>57 years old, Diploma Professional ; Certified Public Accountant</p> <p>Experience 33years as an Accountant/Auditor.</p> <p>Currently doing private practice.</p>

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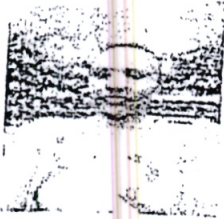
5.	<p>Patrick Mwangi</p> 	<p>59 years Bachelor of Education. Masters of Science in Human Resource Management. Work experience 32 years in the teaching field. Currently working in the private sector.</p>
6.	<p>Monica Wagaki</p> 	<p>59 years Diploma In Education Experience 30 years in teaching field. Retired Teacher</p>
7.	<p>Catherine Muigai</p> 	<p>With a wealth of leadership experience, this accomplished executive has demonstrated expertise in marketing, education, and insurance. Serving as a Marketing Director at Muigai Commercial Agencies Ltd, they have excelled in creating comprehensive marketing strategies and overseeing teams. Simultaneously, as a Director at both Rongai Teachers Training College and Carol Academy, they've skillfully managed education institutions, enforced policies, and nurtured stakeholder relationships. Additionally, their background includes account management at Kabage&Mwirigi Insurance Brokers, where they fostered strong industry relationships and ensured compliance, as well as insurance underwriting expertise gained at First Assurance Company Limited. Their educational qualifications</p>

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		encompass a Master's in Educational Leadership and Performance Management from Middlesex University, a Bachelor of Science in International Business Administration from United States International University, and a Kenya Certificate of Secondary Education from Bahati Girls Secondary School. Furthermore, their active affiliations with various boards and chambers underline their commitment to community and industry involvement.
8.	<p>Member</p> 	<p>60 years. Diploma in farm power and machinery, Bsc. Agricultural Engineering and student Msc. Agricultural Engineering and of course have certificates for Basic education CPE,KCE, KACE and in addition professional short courses on environment, governance and leadership, management etc, Experience 25 years. Currently in private business.</p>
9.	<p>MED SUP</p>  <p>Dorcas M. Murage.</p>	<p>Bachelor's Degree in Dental Surgery (UON), Ongoing Master's Degree in Public and Global Health, currently the Medical Superintendent.</p>

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4. Key Management Team

	Management	Details
1.	 Dorcas M. Murage Bachelor's Degree In Dental Surgery	MEDICAL SUPERINTENDENT
2.	 Joseph Kairu Wairagu Bachelor of Arts (Economics)	HOSPITAL ADMINISTRATION
3.	 Carren Akinyi Ombewa Masters' public health (Monitoring and Evaluation)	CHIEF NURSING OFFICER
4.	 Gladys G. Kariuki Higher Diploma in community Health Nursing	NURSING OFFICER
5.		ACCOUNTS

5. Chairman’s Statement

Following the appointment of Hospital Management Committee vide letter of appointment Ref: NCG/CECH/HBM/VOL.2/18/2023 dated 2nd February 2023 and as per Kenya Gazette Vol.CXXIV-No2 no 51, I Francis Mbugua Kariu H.M.C chairperson can report the following:

(a) Renovation

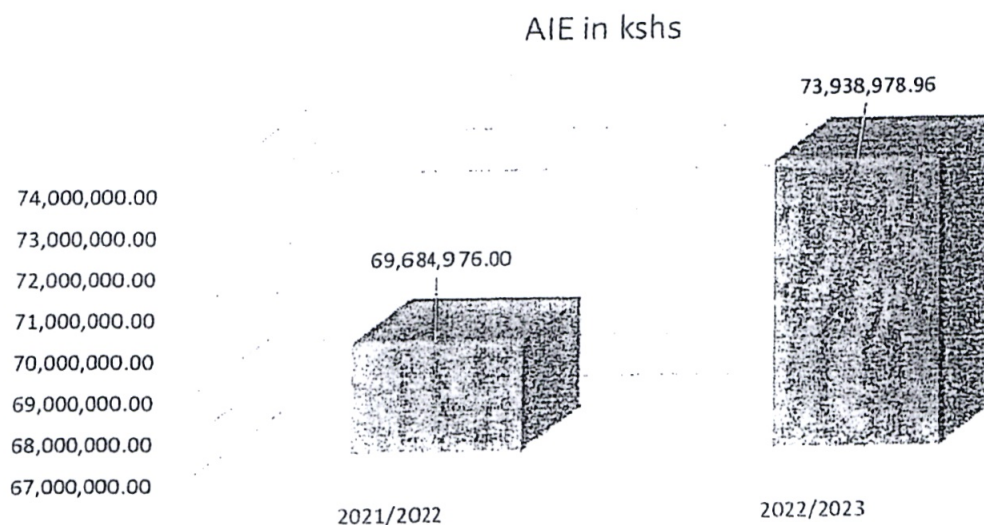
In this financial year, routine maintenance of all the buildings within the facility was done.

(b) development

In this financial year, the facility acquired assorted equipment for various department that included a resuscitaire for use in theatre, physiotherapy equipment, fetal Doppler, a dental scaler among others.

(a) Health care financing.

The hospital’s workload continues to increase, and this has subsequently led to an increase in revenue as evidenced by the graph below that compares revenue collection for F/Y 2021/2022 and 2022/2023.




Challenges

1. Lack of land ownership documents
2. Limited space across all service delivery points.
3. Shortage of staff across all cadres.
4. Inadequate finances.
5. Limited range of services
6. Delay in reimbursement by NHIF.
7. In availability of modern medical equipment in some department (Dental, X Ray)
8. High cost of utilities (water & Electricity)

Way forward

1. Resource mobilization - Engage institutions to support the hospital acquire equipment through C.S.R
2. Follow up on the land ownership documents by engaging the County Government of Nakuru and ultimately expand the existing infrastructure.
3. Increase the range of services
4. Partner with other Medical Insurance Service Providers
5. Follow up on the Integrated Health Information Management System as stipulated in the Governor's manifesto.
6. Drilling of the borehole, Installation of solar panels, and operationalization.



.....
Name

Chairman to the Board

6. Report of The Medical Superintendent

Annex Hospital-Nakuru is a level 4 Public health facility opened in the 1970s when the first president of the Republic of Kenya, the late Mzee Jomo Kenyatta, decreed that the larger underutilized War Memorial Hospital be split into two; Annex Hospital Nakuru to serve the general public, and War Memorial Hospital to proceed serving the largely Asian and European clientele. It is located adjacent to the Nakuru State House Lodge along the Nakuru- Nairobi highway.

From inception, the hospital served as an amenity unit of the Provincial General Hospital Level 5, until in the last couple of years when it became autonomous with its own Governance structure consisting of the of the County Department of Health, the Hospital Management Committee and the Hospital Management Team that oversees the daily running of the facility.

The hospital serves mainly Public Servants, disciplined forces, Kenya Power and Lighting Company members of staff, AON-MINET clients, as well as members of the public who can pay slightly higher fees compared to other Government facilities, but lower than in the major private providers. The catchment population is majorly urban, with a number referred in from other public and private health facilities as well as by specialists.

LEADERSHIP AND GOVERNANCE

The department of health gives policy direction on health matters. The management of the hospital is guided by decisions made by the following committees:

1. Hospital Management Committee

In exercise of power conferred by regulation 5 of the Government Financial Management Act (Hospital management service) Regulations 2009, the County Executive Committee member in charge of Health services appoints the HMC members. The members are appointed for a period of three (3) years through the Kenya Gazette. Notable, the hospital has an appointed Chairperson and secretary (Medical Superintendent). The duties of the HMC will be clear after the induction that is being planned for by the Department of Health Services (DOHS). The HMC meets once a quarter. Some of the major achievements by the outgoing committee include;

Renovation of the wards with provision of 8 ensuite facilities, Hospital gate

Equipping and fully operationalizing new departments; Isolation, HDU, ICU, Orthopaedic Trauma department

Oxygen piping in the wards

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Procurement of new equipment for various departments
 Networking of all departments and installation of software in majority of the departments
 Resource mobilization through the DOHS; Anaesthetic Machine, and Patient Monitors, among others

HEALTHCARE FINANCING

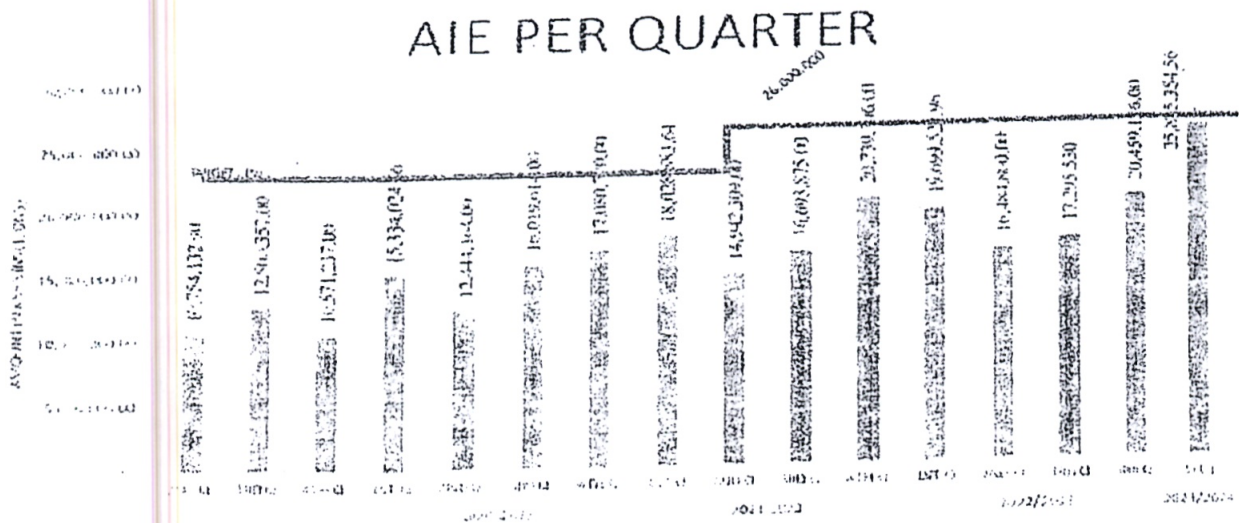
The main sources of revenue for the facility are FIF (user fee collection) credited directly into the Bank account via PAY BILL no. 467952 and NHIF reimbursements which are remitted directly through EFTs into the hospitals bank account. There are no cash payments.

The hospital maintains an FIF account with the National Bank of Kenya

The hospital account signatories are:

1. Head of Accounting unit — Department of Health
2. The Medical Superintendent

Below are graphs to show how the revenue collection has increased over time.



[Handwritten Signature]

Name

Secretary to the Board

*ANNEX HOSPITAL-NAKURU (NAKURU County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

7. Statement of Performance Against Predetermined Objectives

Annex Hospital has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Curative and Rehabilitative Health Services

Pillar/theme/issue 2: Preventive and Promotive Health services

Pillar/theme/issue 3: General Administration, Planning, Management support and Coordination

Annex hospital develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The achieved performance targets set for the FY 2022/2023 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1: Curative and rehabilitative health services	To provide effective and efficient curative and rehabilitative health services	-No. of physiotherapy treatments given to clients.	-Eliminate communicable conditions -Halt and reverse increasing burden on non-communicable conditions -Reduce burden of violence and injuries -provide essential medical services -Minimize exposure to health risk factors. -Strengthen collaboration with health- related sectors	10473 treatments given to 2398 clients

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Annual Report and Financial Statements for The Year Ended 30th June 2023

<p>Pillar/ theme/ issue Preventive and Promotive Health services</p>	<p>To provide effective and efficient preventive and Promotive health interventions</p>	<p>- No. of deliveries by skilled birth attendant. - No. of Fully immunized children -No. of pregnant women receiving TT2plus - No. of women of reproductive age screened for cervical cancer - No. of clients screened for TB.</p>	<p>-Reproductive maternal neonatal child health (RMNCH) services (conduct health talks on the importance of skilled deliveries). -Immunization services (avail all the vaccines required for immunization) -Nutrition services -Disease surveillance and control -HIV control interventions -Non- communicable disease control - TB control interventions (Screen all patients seen in the facility).</p>	<p>83% 98% 109% 60%</p>
<p>Pillar/ theme/ issue General Administration, Planning, Management support and coordination.</p>	<p>To provide effective and efficient preventive and Promotive health interventions</p>	<p>Number of human resources employed.</p>	<p>-Health workers and human resource management -construction and maintenance of building -procurement of drugs -procurement of medicines, medical and other supplies Procurement and maintenance of medical and other equipment's -Management and coordination health services</p>	<p>Deficit of 333 staffs as per the required number by level of care</p>

8. Corporate Governance Statement

Annex hospital (Nakuru) was gazetted vide THE KENYA GAZETTE NOTICE Vol. CXXI111-157 dated 30, July 2023. - NO 7619 as a level – 4 hospital.

The hospital has a hospital management committee that does oversight of the hospital activities.

Members of hospital management committee were gazetted vide THE KENYA GAZETTE NOTICE Vol. CXXIV-157 dated 7, January 2022. - NO 51 as follows

- | | |
|----------------------------|-------------------|
| 1. Francis Mbugua Kariu | Chairman |
| 2. Monicah Wagaki | Member |
| 3. Eng. Michael Chepkowell | Member |
| 4. Catherine Njeri Waweru | Member |
| 5. Patrick Mwangi | Member |
| 6. Sabina Owiti | Member |
| 7. Johnson Njatha | Member |
| 8. Caroline Muigai | Member |
| 9. Medical Superintendent | Member/ Secretary |

The hospital management committee member was done induction by the department of health. During the induction the member's functions were given as follows:

1. Oversight roles
2. Link between the hospital and the community
3. Roles Various sub-committees in the hospital

After the induction the H.M.C members formed the following sub- committees:

FINANCE SUB-COMMITTEE

The finance sub-committee oversees the collection of hospital revenue, the budgeting process and the prudent implementation of the budget presented by the hospital.

MEMBERS

- Francis Mbugua Kariu Member
- Caroline Muigai Member
- Johnson Njatha Chairman
- Patrick Mwangi Member
- Medical Superintendent Member

The hospital team comprising of the following officer's attend:

1. Hospital accountant Secretary
2. Hospital administrator
3. The chief nurse

QUALITY OF HEALTH CARE SERVICES SUB- COMMITTEE

The sub-committee oversees that the hospital is offering quality health services.

MEMBERS

- Catherine Njeri Waweru **Chairperson**
- Monicah Wagaki **Member**
- Francis Mbugua Kariu **Member**
- Medical Superintendent **Member**

The hospital team comprising of the following officer's attend:

- Hospital accountant **Secretary**
- Hospital administrator
- The chief nurse **Secretary**

INFRASTRUCTURE SUB- COMMITTEE

The sub- committee oversees the status of the hospital infrastructure. This includes the even the hospital land.

MEMBERS

- Sabina Owiti **Chairperson**
- Eng. Michael Chepkowell **Member**
- Francis Mbugua Kariu **Member**
- Medical Superintendent **Member**

The hospital team comprising of the following officer's attend:

- Hospital Accountant
- Hospital Administrator **Secretary**
- The Chief Nurse
- PHO in charge of hospital sanitation
- Bio-med in charge

MEETINGS

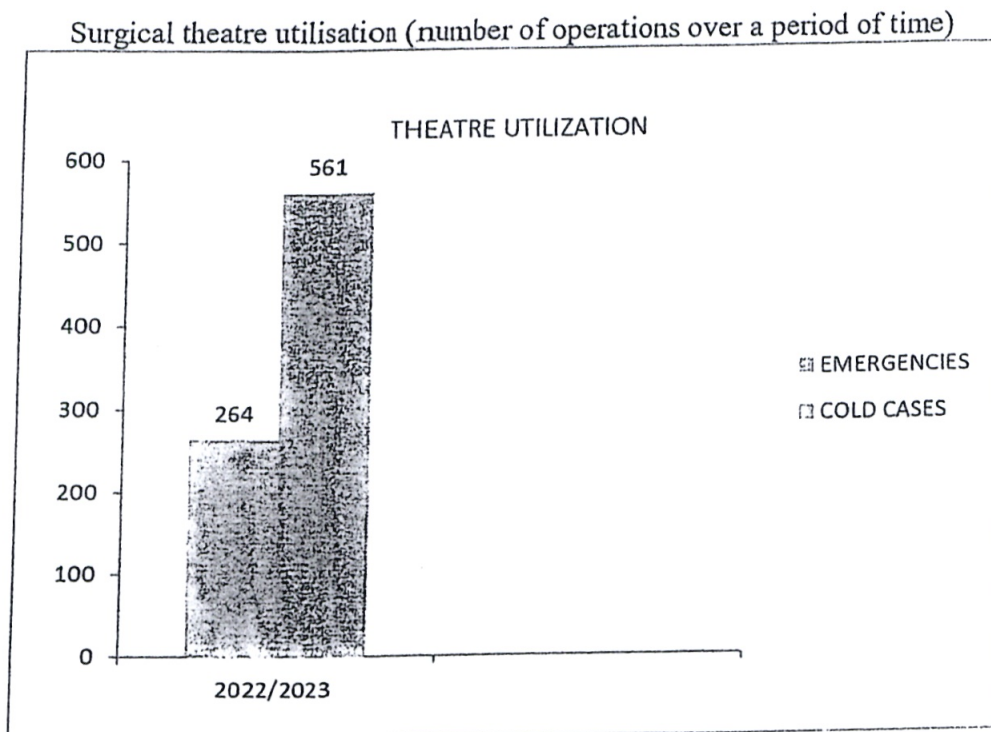
The sub-committees hold meetings once a quarter (3 months) and reports to the full H.M.C which also meets once in a quarter (3 months). An extraordinary committee meeting may be convened wherever an Urgent need arises.

RENUMERATION

The payment of members allowances is guided by a circular that was issued by the Director Administration and planning Ref no. NCG/GENERAL/136W6/2019 dated 7th January 2019.

FULL HMC MEETING

Chairperson-Sitting allowances	Ksh 6,000
-Lunch allowance	<u>Ksh 2,500</u>
Total	ksh8, 500



- Sponsorships and partnerships

Financial performance that includes: -

- Revenue sources,
- Utilisation of funds etc

.....
Name

Secretary to the Board

10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

Annex Hospital Nakuru was opened in the 1970s when the first president of the Republic of Kenya, the late Mzee Jomo Kenyatta, decreed that the larger underutilized War Memorial Hospital be split into two; Annex Hospital Nakuru to serve the general public, and War Memorial Hospital to proceed serving the largely Asian and European clientele. From inception, the hospital served as an amenity unit of then Rift Valley Provincial General Hospital (Currently the Nakuru County Teaching and Referral Hospital) till the last fifteen (15) years when it became a stand-alone level 4 facility with its own Health Management Committee. To date, the facility has not secured the legal ownership documents of the land it sits on jointly with the War Memorial Hospital. This has continued to pose a great challenge to successive Hospital Management Committees as the facility cannot expand on the existing infrastructure.

The facility is geographically located in Menengai ward, Nakuru East Sub-County, but administratively it reports to the Nakuru West Sub-County in the London Ward.

The hospital has a bed capacity of 60, with 23 beds being in General wards, 4 in the Paediatric ward, 20 in the Obstetric/gynaecological department, and 8 in the HDU/ICU and 5 baby cots.

The facility offers General Outpatient Services that include Dispensing Pharmacy, Physiotherapy, Occupational therapy, Orthopaedic-trauma services, Nutritional services, Laboratory services, Imaging services (including Ultra Sound services), Maternal/Child Health/Family Planning services, CCC/HTS services, Operating Theatre services (major and minor operations) and Dental services. There are four major inpatient departments that offer Medical/Surgical services, Paediatric services, Obstetric/Gynaecological services, and high Dependency and Intensive care services. The last two are some of the major achievements of the facility in the last two financial years

Medical commodities are mainly from KEMSA, Partners and prequalified suppliers through FIF. The main sources of revenue are NHIF reimbursements and user fee collections. The facility has witnessed an increase in workload across all departments as well as revenue collection from the 2019-2020 financial years.

The core mandate of the facility is service delivery to the public.

To ensure sustainability of the core mandate, the Facility Improvement Financing (FIF) Act was enacted to establish an efficient, secure and accountable mechanism for managing revenue derived from the different departments in the facility. This Act has provided financial autonomy to the facility enabling the management to manage revenue generated through user fees, insurance payments, and other sources effectively.

Budgeting is done every quarter of a financial year and priority given to the key areas to ensure continuity in service delivery.

ii) Environmental performance

The Government led by H.E President William Ruto initiated planting of 15 billion trees by 2032, a move aimed at reducing greenhouse emissions, stopping and reversing deforestation and restoring 5.1 million hectares of deforested and degraded landscapes.

The implementation of this policy requires intersectional collaboration, with the department of health directing that all the Sub Counties and health facilities engage in tree planting.

The facility aims at continuously increasing the current coverage with trees by taking advantage of the rainy seasons.

The facility guided by the Public Health policies on waste management, segregates medical waste at source. Infectious waste is transported to the Nakuru County Teaching and Referral Hospital (NCTRH) for incineration while composite waste is buried for decomposition.

The facility also ensures that commodities with long expiry dates are procured in the right quantities to avoid expired commodities.

iii) Employees welfare

The facility doesn't engage in hiring of employees, this being the mandate of the Nakuru Public Service Board. The posting of the employees to and from the facility is done by the Department of Health Services (DOHS)

The current staff establishment is a blend of both genders, persons living with disabilities and promotes National Unity by ensuring representation by multiple tribes.

The facility organises for in-house Continuous Medical Educations (CMEs) through which members of staff are sensitized on new guidelines/protocols. More trainings are organised and funded by through the DOHS.

Employees wishing to further their studies are advised to apply through the Facility Training Committee which may recommend or not recommend the training. It's the duty of the DOHS to clear staff for training lasting beyond 6 months.

The Medical Superintendent appraises all the Heads of Departments, who in turn appraise all the staff working under them. It's the mandate of the DOHS to either reward or sanction an employee. The administration ensures that there is continuous improvement on the working environment, to ensure comfort and safety of the employees.

iv) Market place practices-

a) Responsible competition practice.

Advertisement for tenders to supply goods and services is done by the County Government. At facility level allocation and actual award of at least 30% of the total value of the procurement budget for goods and services goes to Youths, Women and Persons living with disabilities (PWDs)

For quotations floated among prequalified suppliers internally, the Tender Opening Committee and Evaluation Committees ensure fair competition even as they ensure that the facility gets value for money through supply of quality goods and services.

b) Responsible Supply chain and supplier relations

Our suppliers enjoy equal opportunities whenever there is need for goods or services. Unfortunately, due to delay in reimbursement by NHIF and other Insurance companies, the funds are not always enough, thus delaying payments owed to the suppliers.

Signed contracts are always binding and unless there is breach by either party, implementation is usually as per the terms of engagement.

c) Responsible marketing and advertisement

The facility ensures its workforce doesn't exploit vulnerable populations such as those with serious health conditions in promoting the services offered, as it is unethical to induce fear or anxiety among members of the public as a marketing strategy.

Transparency is one of the core values in Nakuru County, and the facility ensures transparency on the services offered and their costs through the Service Delivery Charters.

Inclusivity in the budgeting process also ensures financial transparency.

Respect to patients is ensured through privacy, confidentiality of information, consenting for treatment etc.

d) Product stewardship

The facility takes responsibility in minimizing every product's environmental impact throughout all stages of the product life cycle, by ensuring that waste generated is segregated

at source, transported and managed appropriately, the infectious medical waste being managed at the NCTRH.

v) Corporate Social Responsibility / Community Engagements

The facility meets its corporate social responsibility through in reaches and outreaches aimed at creating awareness on disease prevention through health education, screening and management of diseases.

Holding of these activities is dependent on availability of funds, the last in reach having been held on September, 2022 /2023 financial year.

ANNEX HOSPITAL-NAKURU (NAKURU County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30th, 2023, which show the state of the Annex hospital -Nakuru affairs.

Principal activities

The principal activities of the entity are to offer quality integrated health services to all.

Results

The results of the entity for the year ended June 30 2023 are set out on pages 1 and 72


Board of Management

The members of the Board who served during the year are shown on page vi & vii.

Auditors

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

By Order of the Board



.....

Name

Secretary to the Board

11. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of Annex Hospital-Nakuru, which give a true and fair view of the state of affairs of Annex Hospital-Nakuru at the end of the financial year/period and the operating results of Annex Hospital-Nakuru for that year/period. The Board of Management is also required to ensure that Annex Hospital-Nakuru keeps proper accounting records which disclose with reasonable accuracy the financial position of Annex Hospital-Nakuru. The council members are also responsible for safeguarding the assets of Annex Hospital-Nakuru.

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

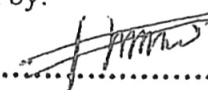
The Board of Management accepts responsibility for Annex Hospital-Nakuru financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Board members are of the opinion that Annex Hospital-Nakuru financial statements give a true and fair view of the state of Annex Hospital-Nakuru's transactions during the financial year ended June 30, 2023, and of the Annex Hospital-Nakuru financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for Annex Hospital-Nakuru, which have been relied upon in the preparation of Annex Hospital-Nakuru financial statements as well as the adequacy of the systems of internal financial control.

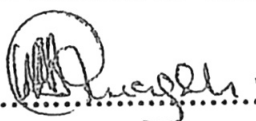
In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern

Nothing has come to the attention of the Board of management to indicate that Annex Hospital-Nakuru 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 18th March 2024 and signed on its behalf by:


.....
Name:
Chairperson
Board of Management


.....
Name:
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 ANNEX HOSPITAL - NAKURU LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF NAKURU

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, the Health Act, 2017 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 Annex Hospital - Nakuru Level 4 Hospital - County Government of Nakuru set out on pages 32 to 73, which comprise of

the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of cash flows and the statement of comparison 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 the Annex Hospital -Nakuru Level 4 Hospital - County Government of Nakuru as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of financial position reflects capital fund balance of Kshs.29,250,801 for financial year 2022/2023 and Kshs.13,724,900 for financial year 2021/2022. However, there were no corresponding entries in the statement of changes in net assets. Further, the statement reflects accumulated surplus of Kshs.6,564,027 relating to financial year 2022/2023 instead of cumulative surplus amount of Kshs.12,829,499 for the two financial years.

In addition, the statement of cash flows reflects net increase in cash and cash equivalents of Kshs.6,405,326 while casting revealed Kshs.5,374,962 resulting to an unexplained variance of Kshs.1,030,364.

In the circumstances, the accuracy and completeness of the above balances included in these financial statements could not be confirmed.

2. Unsupported Inventories

The statement of financial position reflects inventories balance of Kshs.4,998,541 as disclosed in Note 14 to the financial statements. However, there was no evidence that annual stock take was undertaken for the year under review.

In the circumstances, the accuracy, completeness and valuation of the inventories balance of Kshs.4,998,541 could not be confirmed.

3. Inaccuracies in Property, Plant and Equipment Balance

The statement of financial position reflects a balance of Kshs.1,189,066 in respect to property, plant and equipment as disclosed in Note 15 to the financial statements. However, this balance relates to additions during the year instead of the net book value as at 30 June, 2023. Further, review of the certificate of official land search dated 25 September, 2020 revealed that the land on which the Hospital is located is registered

on a different name from the Hospital. In addition, Management did not provide the original title deed for the parcel of land and it is exposed to encroachment.

In the circumstances, the accuracy and ownership of property, plant and equipment balance of Kshs.1,189,066 could not be confirmed.

4. Long Outstanding Payables

The statement of financial position reflects a balance of Kshs.15,482,059 in respect to trade and other payables out of which Kshs.14,529,179 relates to prior years. However, Management did not provide any explanation for the non-payment of the outstanding debts.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.15,482,059 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Annex Hospital-Nakuru Level 4 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. Failure to Transfer Revenue to the County Revenue Fund

The statement of financial performance reflects rendering of services – medical service income of Kshs.80,815,678 which relates to revenue collections from various medical services. However, there was no evidence that funds were transferred to the County Revenue Fund. This was contrary to Regulation 80 (1) of Public Finance and

Management (County Governments) Regulations, 2015 which provides that all revenue receipts for the county government shall be paid into County Exchequer Account and any withdrawal is as per the approved Appropriations Act.

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

2. Failure to Prepare Budget Estimates

The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.76,061,984 against final expenditure budget of Kshs.74,855,984. However, there was no evidence that the Management prepared budget estimates for the year under review. This was contrary to Regulation 29 (2-b) of the Public Finance Management (County Governments) Regulations, 2015 which provides for preparation of accurate and complete budget.

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

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

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by forty-eight (48) or 48% of the authorized staff requirements as detailed below;

Staff Requirements	Level 4 Standard	Number in the Hospital	Variance	Percentage %
Medical Officers	16	2	14	88
Anaesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Paediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	51	24	32
Total	101	53	48	48

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	60	90	60
Resuscitative (2 in Labour & 1 In Theatre)	2	0	2	100
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	3	2	40
Functional ICU Beds	6	0	6	100

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with At Least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	0	2	100

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

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Fixed Assets Register

During the year under review, the Management did not maintain a fixed assets register for all the assets owned by the Hospital. Further, the assets were also not tagged with unique identification mark for tracking purposes.

In the circumstances, the effectiveness of internal controls on fixed 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 the Hospital Management Committee

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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

10 JULY, 2024

*Annex Hospital-Nakuru (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

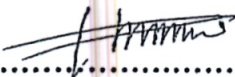


13. Statement of Financial Performance for The Year Ended 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government		-	-
In-kind contributions from the County Government		-	-
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
		-	-
Revenue from exchange transactions			
Rendering of services- Medical Service Income	6	80,815,677.70	71,821,588.00
Revenue from rent of facilities		-	-
Finance /Interest Income		-	-
Miscellaneous Income		-	-
Revenue from exchange transactions		-	-
Total revenue		80,815,677.70	71,821,588.00
Expenses			
Medical/Clinical costs	7	35,542,276.00	27,692,154.73
Employee costs	8	22,737,085.43	19,787,957.71
Boards and Committees Expenses	9	1,392,500.00	2,029,000.00
Depreciation and amortization expense		-	-
Repairs and maintenance	10	2,679,416.00	3,850,464.00
Grants and subsidies		-	-
General expenses	11	11,900,372.54	12,196,540.61
Total expenses		74,251,649.97	65,556,117.05
Other gains/(losses)			
Gain/Loss on disposal of non-Current assets		-	-
Unrealized gain on fair value of investments		-	-
Medical services contracts Gains/Losses		-	-

Annex Hospital-Nakuru (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Impairment loss		-	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus / (Deficit) for the year		6,564,027.53	6,265,470.95

The Hospital's financial statements were approved by the Board on 25th September 2023 and signed on its behalf by:

		
.....
Chairman	Head of Finance	Medical Superintendent
Board of Management	ICPAK No: 22875	

Annex Hospital-Nakuru (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	12	26,670,161.37	20,264,835.35
Receivables from exchange transactions	13	18,439,120.00	7,673,070.00
Receivables from non-exchange transactions		-	-
Inventories	14	4,998,540.75	9,301,764.00
Total Current Assets		50,107,822.12	37,239,669.35
Non-current assets			
Property, plant, and equipment	15	1,189,065.51	4,398,662.00
Intangible assets		-	-
Investment property		-	-
Total Non-current Assets		1,189,065.51	4,398,662.00
Total assets		51,296,887.63	41,638,331.35
Liabilities			
Current liabilities			
Trade and other payables	16	15,482,059.20	14,027,345.70
Refundable deposits from customers/Patients		-	-
Provisions		-	-
Finance lease obligation		-	-
Current portion of deferred income		-	-
Current portion of borrowings		-	-
Social Benefits		-	-
Total Current Liabilities		15,482,059.20	14,027,345.70
Non-current liabilities			
Provisions		-	-
Non-Current Finance lease obligation		-	-
Non-Current portion of deferred income		-	-
Non - Current portion of borrowings		-	-
Service concession liability		-	-
Social Benefits		-	-


Annex Hospital-Nakuru (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Total non-current liabilities		-	-
Total Liabilities		15,482,059.20	14,027,345.70
Net assets			
Revaluation reserve		-	-
Accumulated surplus/Deficit		6,564,027.53	6,265,470.95
Capital Fund		29,250,800.90	13,724,899.70
		35,814,828.43	21,345,514.70
Total Net Assets and Liabilities		51,296,887.63	41,638,331.35


The Hospital's financial statements were approved by the Board on 18th march 2024 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No: 2282



Medical Superintendent

15. Statement of changes in Net Asset for the year ended 30th June 2023

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	0.00	-	0.00
Capital/Development grants	-	-	-	-
As at June 30, 2022	-	-	-	-
At July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	6,564,027.53	-	6,564,027.53
Capital/Development grants	-	-	-	-
At June 30, 2022	-	-	-	-

*Annex Hospital-Nakuru (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		-	-
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income	6	80,815,677.70	71,821,588.00
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Miscellaneous receipts(<i>specify</i>)		-	-
Total Receipts		80,815,677.70	71,821,588.00
Payments			
Medical/Clinical costs	7	35,542,276.00	27,692,154.73
Employee costs	8	22,737,085.43	19,787,957.71
Boards and Committees Expenses	9	1,392,500.00	2,029,000.00
Repairs and maintenance	10	2,679,416.00	3,850,464.00
Grants and subsidies		-	-
General expenses	11	11,900,372.54	12,196,540.61
Finance costs		-	-
Refunds paid out		-	-
Total Payments		74,251,649.97	65,556,117.05
Net cash flows from operating activities		6,564,027.53	6,265,470.95
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets	15	1,189,065.51	4,398,662.00
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		(-)	-
Net cash flows used in investing activities		1,189,065.51	4,398,662.00
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	-
Capital grants received		-	-

Annex Hospital-Nakuru (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Net cash flows used in financing activities		(-)	-
Net increase/(decrease) in cash and cash equivalents		6,405,326.02	2,006,405.94
Cash and cash equivalents as at 1 July		20,264,835.35	18,258,429.41
Cash and cash equivalents as at 30 June		26,670,161.37	20,264,835.35

*Annex Hospital -Nakuru (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

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

Description	Original budget	Adjusted	Final budget	Actual on comparable basis	Performance difference	% of utilization
	A	b	c=(a+b)	d	e=(c-d)	f=d/c
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County	-	-	-	-	-	%
Grants from donors and	-	-	-	-	-	%
Transfers from other Government	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical	76,061,983.9	-	76,061,983.96	-	-	%
Revenue from rent of facilities	-	-	-	-	-	%
Finance / interest income	-	-	-	-	-	%
Miscellaneous receipts (<i>specify</i>)	-	-	-	-	-	%
Total income	76,061,983.9	-	76,061,983.96	-	-	%
Expenses						
Medical/Clinical costs	36,271,513.3	-	36,271,513.35	35,542,276.0	729,237.35	97.99
Employee costs	21,817,695.8	-	21,817,695.80	22,737,085.4	-919,389.63	104.21
Boards and Committees Expenses	1,540,500.00	-	1,540,500.00	1,392,500.00	148,000.00	90.40
Repairs and maintenance	2,913,660.50	-	2,913,660.50	2,679,416.00	234,244.50	91.96
Grants and subsidies	-	-	-	-	-	%
General expenses	12,312,614.3	-	12,312,614.31	11,900,372.5	412,241.77	96.66
Finance costs	-	-	-	-	-	%
Refunds	-	-	-	-	-	%
Surplus for the period						
Capital expenditure	1,206,000.00	-	1,206,000.00	1,189,065.51	16,934.49	98.60

18. Notes to the Financial Statements

1. General Information

Annex Hospital -Nakuru entity is established by and derives its authority and accountability from PFM, act 2012. The entity is wholly owned by the Nakuru County Government and is domiciled in Nakuru County in Kenya. The entity's principal activity is to provide health services, create an enabling environment, regulate, and set standards and policy for health service delivery.

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 Annex Hospital -Nakuru accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Annex Hospital -Nakuru. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes;</p> <p>and</p>

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Standard	Effective date and impact
	(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<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> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

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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

Annex Hospital -Nakuru did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to Annex Hospital-Nakuru 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 20th July 2022. 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. Annex Hospital-Nakuru 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 37 under section 18 of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. 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.

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.

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

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Notes to Financial Statements Continued

settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Rendering of Services-Medical Service Income

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Pharmaceuticals	7,899,930.50	7,383,252.00
Non-Pharmaceuticals	6,474,085.00	9,623,190.00
Laboratory	8,076,790.00	8,184,750.00
Radiology	842,600.00	806,400.00
Orthopedic and Trauma Technology	79,500.00	66,750.00
Theatre	4,352,000.00	4,557,600.00
HDU	5,754,390.00	4,284,825.00
ICU	1,410,950.00	819,700.00
Health Records	1,680,850.00	707,290.00
Physiotherapy	2,169,100.00	2,041,300.00
Maternity	2,204,190.00	1,412,780.00
Accident and Emergency Service (OPD)	1,129,200.00	2,005,700.00
NHIF Reimbursement	29,264,472.50	20,368,165.00
Nutrition service	530,750.00	508,000.00
Dental services	297,200.00	378,500.00
Reproductive health	959,000.00	878,100.00
Paediatrics services	634,280.00	841,385.00
Farewell home services	4,177,100.00	3,568,100.00
Other medical services income (<i>specify</i>)	2,879,289.00	3,385,801.00
Total revenue from the rendering of services	80,815,677.00	71,821,588.00

Notes to the Financial Statements (Continued)

7. Medical/ Clinical Costs

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Dental costs/ materials	140,627.00	199,913.00
Laboratory chemicals and reagents	4,961,922.00	2,943,849.00
Food and Ration	5,774,317.00	3,694,789.73
Uniform, clothing, and linen	539,615.00	1,048,685.00
Dressing and non-pharmaceuticals	9,004,396.00	8,029,268.00
Pharmaceutical supplies	8,623,789.00	5,572,852.00
Health information stationery	736,457.00	585,427.00
Sanitary and cleansing Materials	2,896,019.00	3,201,451.00
Purchase of Medical gases	2,647,470.00	2,398,120.00
X-Ray/Radiology supplies	217,664.00	17,800.00
Other medical related clinical costs	-	-
Total medical/ clinical costs	35,542,276.00	27,692,154.73

8. Employee Costs

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Salaries, wages, and allowances	22,737,085.43	19,787,957.71
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	22,737,085.43	19,787,957.71

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Notes to the Financial Statements (Continued)

9. Board of Management Expenses

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	1,392,500.00	2,029,000.00
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
Total	1,392,500.00	2,029,000.00

10. Repairs And Maintenance

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Property- Buildings	1,061,376.00	2,396,443.00
Medical equipment	708,990.00	726,820.00
Office equipment	-	-
Furniture and fittings	116,150.00	78,080.00
Computers and accessories	123,500.00	160,000.00
Motor vehicle expenses	196,500.00	63,800.00
Maintenance of civil works	472,900.00	425,321.00
Total repairs and maintenance	2,679,416.00	3,850,464.00

Notes to the Financial Statements (Continued)

11. General Expenses

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Catering expenses	132,131.80	237,508.00
Supplies Of Computer Accessories	861,720.00	714,905.00
Insecticides and rodenticides	76,664.00	69,870.00
Daily Subsistence Allowance	350,000.00	693,000.00
Bank charges	124,280.00	109,688.00
Refined Fuel and Lubricants	790,299.74	609,800.31
Contracted services	1,728,095.00	1,478,400.00
Electricity expenses	3,099,318.00	3,498,068.00
Fuel and Lubricants	508,250.00	-
Travel and accommodation allowance	408,200.00	695,425.00
Courier and postal services	19,180.00	37,400.00
Printing and stationery	220,450.00	291,349.00
Water and sewerage costs	2,508,584.00	2,075,975.30
Telephone and mobile phone services	808,200.00	656,500.00
Staff training and development	265,000.00	410,144.00
Total General Expenses	11,900,372.54	12,196,540.61

12. Cash And Cash Equivalents

Description	2022-2023 FY	2021-2022 FY
	KShs	KShs
Current accounts	26,670,161.37	20,264,835.35
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	26,670,161.37	20,264,835.35

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Notes to the Financial Statements (Continued)
 12 (a). Detailed Analysis of Cash and Cash Equivalents

Description	Account number	2022-2023 FY	2021-2022 FY
		KShs	KShs
a) Current account			
National Bank of Kenya		26,670,161.37	20,264,835.35
		-	-
Sub- total		26,670,161.37	20,264,835.35
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		26,670,161.37	20,264,835.35

13. Receivables From Exchange Transactions

Description	2022-2023 FY	2021-2022 FY
	KShs	KShs
Medical services receivables (NHIF payments outstanding)	18,439,120.00	7,673,070.00
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables	18,439,120.00	7,673,070.00

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14. Inventories

Description	2022-2023 FY	2021-2022 FY
	KShs	KShs
Pharmaceutical supplies	3,750,938.00	7,781,412.00
Maintenance supplies	-	-
Food supplies	81,719.25	158,128.00
Linen and clothing supplies	499,535.00	448,840.00
Cleaning materials supplies	666,348.50	913,384.00
General supplies	-	-
Less: provision for impairment of stocks	-	-
Total	4,998,540.75	9,301,764.00

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Notes to the Financial Statements (Continued)

15. 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 2021 (previous year)	1.00	1.00	1.00	1.00	1.00	1.00	0.00	6.00
Additions	-	16,000.00	-	63,950.00	257,500.00	4,061,206.00	-	4,398,662.00
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	-	(-)	-			-	(-)
At 30 th Jun 2022	1.00	16,001.00	1.00	63,951.00	257,501.00	4,061,207.00	0.00	4,398,662.00
At 1 July 2022(current year)	1.00	16,001.00	1.00	63,951.00	257,501.00	4,061,207.00	0.00	4,398,662.00
Additions	-	9,650.00	-	79,000.00	151,350.00	949,065.51	-	1,189,065.51
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments		-		-			(-)	-
At 30 th Jun 2023	1.00	25,651.00	1.00	142,951.00	408,851.00	5,010,272.51	0.00	5,587,727.51
Depreciation and impairment								
At 1 July 20XX (previous year)		-	-	-	-	-		-
Depreciation for the year		-	-	-	-	-		-
Disposals		(-)	(-)	(-)	(-)	(-)		(-)
Impairment		(-)	(-)	(-)	(-)	(-)		(-)
At 30 June 2023		-	-	-	-	-		-

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Description	Land	Buildings and Civil works	Motor vehicle	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 20XX (current year)		-	-	-	-	-	-	-
Depreciation		-	-	-	-	-		-
Disposals		(-)	(-)	(-)	(-)	(-)		(-)
Impairment		(-)	(-)	(-)	(-)	(-)		(-)
Transfer/adjustment		-	-	-	-	-		(-)
At 30 th June 2023		-	-	-	-	-	(-)	(-)
							-	-
Net book values								
At 30 th Jun 2022(previous)	1.00	16,001.00	1.00	63,951.00	257,501.00	4,061,207.00	0.00	4,398,662.00
At 30 th Jun 2023(current)	1.00	25,651.00	1.00	142,951.00	408,851.00	5,010,272.51	0.00	5,587,727.51

Annex Hospital - Nakuru (Nakuru County Government)
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Notes to the Financial Statements (Continued)

16. Trade and other Payables

Description	2022-2023 FY		2021-2022 FY	
	KShs		KShs	
Trade payables	14,529,179.20		14,027,345.70	
Employee dues	952,880.00		-	
Total trade and other payables	15,482,059.20		14,027,345.70	
Ageing analysis:	Current FY	% of the Total	Current FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	15,482,059.20	%	14,027,345.70	%

Notes to the Financial Statements (Continued)

17. 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 2023 (previous year)				
Receivables from exchange transactions	xxx	xxx	Xxx	xxx
Receivables from –non-exchange transactions	xxx	xxx	Xxx	xxx
Bank balances	xxx	xxx	Xxx	xxx
Total	xxx	xxx	Xxx	xxx
At 30 June 2023 (current year)				
Receivables from exchange transactions	xxx	xxx	Xxx	xxx
Receivables from –non-exchange transactions	xxx	xxx	Xxx	xxx
Bank balances	xxx	xxx	Xxx	xxx
Total	xxx	xxx	Xxx	xxx

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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 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 2023				
Trade payables	Xxx	Xxx	xxx	xxx
Current portion of borrowings	Xxx	Xxx	xxx	xxx
Provisions	Xxx	Xxx	xxx	xxx
Deferred income	Xxx	Xxx	xxx	xxx
Employee benefit obligation	Xxx	Xxx	xxx	xxx
Total	Xxx	Xxx	xxx	xxx
At 30 June 2023				
Trade payables	Xxx	Xxx	xxx	xxx
Current portion of borrowings	Xxx	Xxx	xxx	xxx
Provisions	Xxx	Xxx	xxx	xxx
Deferred income	Xxx	Xxx	xxx	xxx
Employee benefit obligation	Xxx	Xxx	xxx	xxx
Total	Xxx	Xxx	xxx	xxx

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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	Other currencies	Total
	Kshs		Kshs
At 30 June 2023			
Financial assets (investments, cash, debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

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.

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Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2023			
Financial assets (investments, cash, debtors)	Xxx	xxx	xxx
Liabilities			
Trade and other payables	Xxx	xxx	xxx
Borrowings	Xxx	xxx	xxx
Net foreign currency asset/(liability)	Xxx	xxx	xxx

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	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
20XX (previous year)			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx
20XX (current year)			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx

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.

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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.

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	Current Period	Comparative Period
	Kshs	Kshs
Revaluation reserve	xxx	xxx
Retained earnings	xxx	xxx
Capital reserve	xxx	xxx
Total funds	xxx	xxx
Total borrowings	xxx	xxx
Less: cash and bank balances	(xxx)	(xxx)
Net debt/ <i>(excess cash and cash equivalents)</i>	xxx	xxx
Gearing	xx%	xx%

Annex Hospital -Nakuru (Nakuru County Government)
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Notes to the Financial Statements (Continued)

18. 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.

Nakuru County Government is the principal shareholder of the Annex Hospital -Nakuru, holding 100% of the Annex Hospital -Nakuru 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	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx	xxx	xxx
Sales of services to xxx	xxx	xxx
Total	xxx	xxx
b) Grants from the Government		
Grants from County Government	xxx	xxx
Grants from the National Government Entities	xxx	xxx
Donations in kind	xxx	xxx
Total	xxx	xxx
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	xxx	xxx
Payments for goods and services for xxx	xxx	xxx
Total	xxx	xxx

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Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
d) Key management compensation		
Directors' emoluments	xxx	xxx
Compensation to the medical Sup	xxx	xxx
Compensation to key management	xxx	xxx
Total	xxx	xxx

19. Segment Information

Annex hospital- Nakuru do not operate in other areas or regions hence has no other segment.

20. Contingent Liabilities

Contingent liabilities	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Court case xxx against the company	xxx	xxx
Bank guarantees in favour of subsidiary	xxx	xxx
Total	xxx	xxx

21. Capital Commitments

Capital Commitments	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Authorised For	xxx	xxx
Authorised And Contracted For	xxx	xxx
Total	xxx	xxx

22. Events after the Reporting Period

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

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23. 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 Nakuru.

24. Currency

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

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19. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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

Guidance Notes:

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

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Accounting Officer

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
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							

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Appendix III: Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by <i>[Insert name of beneficiary entity]</i> as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30th June 2023				Amount Received by <i>[beneficiary entity]</i> (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

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

Head of Accounts Department of the beneficiary entity:

Name Sign Date

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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		

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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